

# NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



## THESIS

**THE EVOLUTION OF THE FY 1996 DEFENSE  
BUDGET: AN ANALYSIS OF THE REPUBLICAN  
REVOLUTION'S IMPACT ON DEFENSE  
SPENDING AND MILITARY READINESS**

by

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June, 1996

Thesis Advisor:

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**THE EVOLUTION OF THE FY 1996 DEFENSE BUDGET: AN ANALYSIS  
OF THE REPUBLICAN REVOLUTION'S IMPACT ON DEFENSE  
SPENDING AND MILITARY READINESS**

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Captain, United States Marine Corps  
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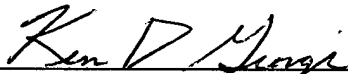
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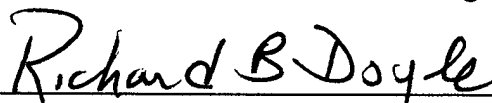
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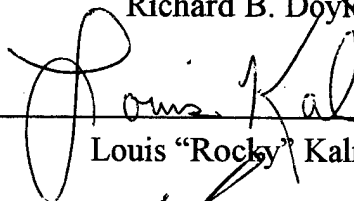


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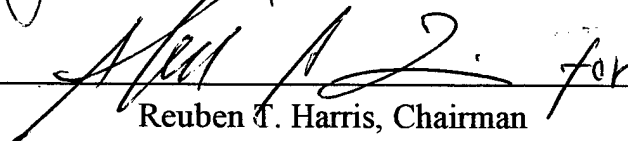
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## **ABSTRACT**

Steadily declining defense budgets and the uncertainty associated with the end of the Cold War have stirred a great debate on the proper budgetary mix of men and material required to achieve military readiness under conditions of fiscal restraint. Many members of Congress and the DoD believe that the structural readiness of the today's military has been sacrificed to maintain short term operational readiness. The November 1994 election of the first Republican-controlled Congress in 40 years promised to significantly impact the declining defense budget and address the issue of military readiness. This thesis concludes that while the deficiencies in operational readiness of today's armed forces are not a serious problem, the long term structural readiness of the armed forces is in jeopardy. While the Republicans addressed the long term problem at the margins by increasing the FY96 investment accounts, a solution which achieves sustainable military readiness requires a reexamination of America's military requirements and the amount of resources it is willing to devote to those requirements.



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## I. INTRODUCTION

The shift in party dominance of the 104th Congress has allowed the Republicans a unique opportunity to dramatically alter the budget priorities of the federal government. The Republican leadership has been unequivocal in its demand for sweeping change in both the size and role of the federal government. [Ref. 1, p. 1298] After taking office, the Republican majority quickly advanced an aggressive agenda of government reform dubbed the "Contract with America." [Ref. 2, p. 3216] The primary objective of the contract is to balance the federal budget by the year 2002.

To achieve this end, the Republicans targeted entitlement spending, especially Medicare and Medicaid, as well as domestic discretionary programs for reduction.[Ref. 3, p. 1899] In conjunction with these substantial budget cuts, the Republicans also called for a reduction in the amount of taxes paid by Americans and a "restoration" of military funding.[Ref. 4, p. 167] The so-called Republican Budget Revolution of 1995, therefore, could prove to be a pivotal juncture in American fiscal policy. The defense budget battle within the context of the larger debate on the federal budget is the focus of this thesis.

Since 1985, almost all congressional attempts to achieve significant reductions in the size of the government's annual budget deficit have included

defense spending.[Ref. 5, p. 19] A decade of downsizing and budget reductions, however, has led to Republican charges that military readiness has been neglected and the force is in danger of being “hollowed out” as it was during the 1970’s.[Ref. 6] President Clinton has countered that while the military forces have been reduced during the “right-sizing” following the end of the Cold War, “operational readiness” has not been negatively impacted by the downsizing.[Ref. 7, p.3614]

Republican critics charge, however, that President Clinton has grossly underfunded the Department of Defense, especially its investment accounts.[Ref. 8, 2126] With meager funding for both the procurement and research and development accounts, the Republicans complain that the money required to modernize the military’s equipment is insufficient. The lack of funding has jeopardized the military’s long term “structural readiness.” To bolster the Republican charges, several government and private organizations also identified a large shortfall in the amount of defense dollars budgeted for the future years defense plan.[Ref. 9] The Republican Congress called for increases in defense spending to reverse this trend.

The intent of this thesis is twofold. First, it provides a detailed record of the evolution of the defense bills in FY96. Beginning with the President’s defense budget proposal, this thesis follows the congressional action on the FY96 defense

budget. It tracks the development of the defense budget, examining the budget resolution, authorization and appropriations bills, and the defense supplemental and recissions bills enacted in 1995. It closely examines the major political issues which dominated the defense debate in 1995. Secondly, this thesis focuses on the readiness debate which underscored the FY96 defense budget battles. It analyzes the role budgeting for readiness played in shaping the FY96 defense budget.

This thesis is divided into three parts. Part 1 frames the defense budget debate in two ways. First, it provides the reader an historical overview of United State's defense spending . It shows how defense has fared over the last two decades in both a relative sense and compared to the other federal budget categories. The defense budget is broken down into its different spending categories in order to provide insight into how the government is spending its defense dollars. It also examines how defense spending fared in the context of the Budget Revolution of 1995. Additionally, part one of the thesis frames the current debate on military readiness. The thesis defines and discusses the components of military readiness. It also examines the extent to which different defense spending categories impact the different readiness components of the military.

Part two of this thesis tracks the evolution of the defense portion of the FY96 budget resolution, the FY96 defense bills, and the defense supplemental and recissions bills enacted in 1995. It documents the path of each bill from creation

to eventual passage. It discusses the differences between President Clinton's budget proposal and the House, Senate, and conference defense bills. The political issues which focused the debate in the defense committees, House and Senate conference committees, and the White House are explored. The eventual compromises required to pass each of the bills are examined in detail.

The final part of this thesis examines the larger issue of the extent to which defense spending in FY96 addressed the readiness problem. It analyzes what the defense budget spending priorities were for FY96 and how the final defense bills addressed the readiness issue. The thesis also comments on how the FY96 defense bills impact the defense "shortfall" identified earlier in the year. The thesis concludes with an analysis of future defense requirements and avenues for further research.

This thesis is primarily based on data and information from the respective defense committees and subcommittees in the House of Representatives and Senate, together with the budget resolution, defense supplemental and rescissions bills, final defense authorization and appropriations bills, conference agreements, and continuing resolutions. Additional information was obtained through a comprehensive review of current professional periodicals, journals, news briefs, and congressional research issue briefs. This material provided the bulk of information for documenting the evolution of the defense bills. Several books



contained in the bibliography provided additional material on the defense readiness issue.

This thesis narrows the scope of its analysis of the FY96 defense budget battle to the time period between the end of 1994 and final passage, if appropriate, of each defense bill. However, material outside this time frame is provided for an historical perspective on the defense spending. While the FY96 debate on defense occurs as a portion of the larger debate on the federal budget, this thesis focuses primarily on the readiness aspect of the debate. In its analysis, the thesis also largely ignores the separate defense military construction bill, although its budget is often included in defense spending totals.

This study serves as a comprehensive record of the defense budget debate in 1995. It also provides significant insight into the readiness issues that drove a large portion of that debate. Lastly, this thesis identifies how the larger congressional battle on the federal budget impacted defense spending for FY96. This work should be of particular significance and benefit to all faculty and students interested in public policy and budgeting, and to any Department of Defense personnel involved in the DoD budgeting process.



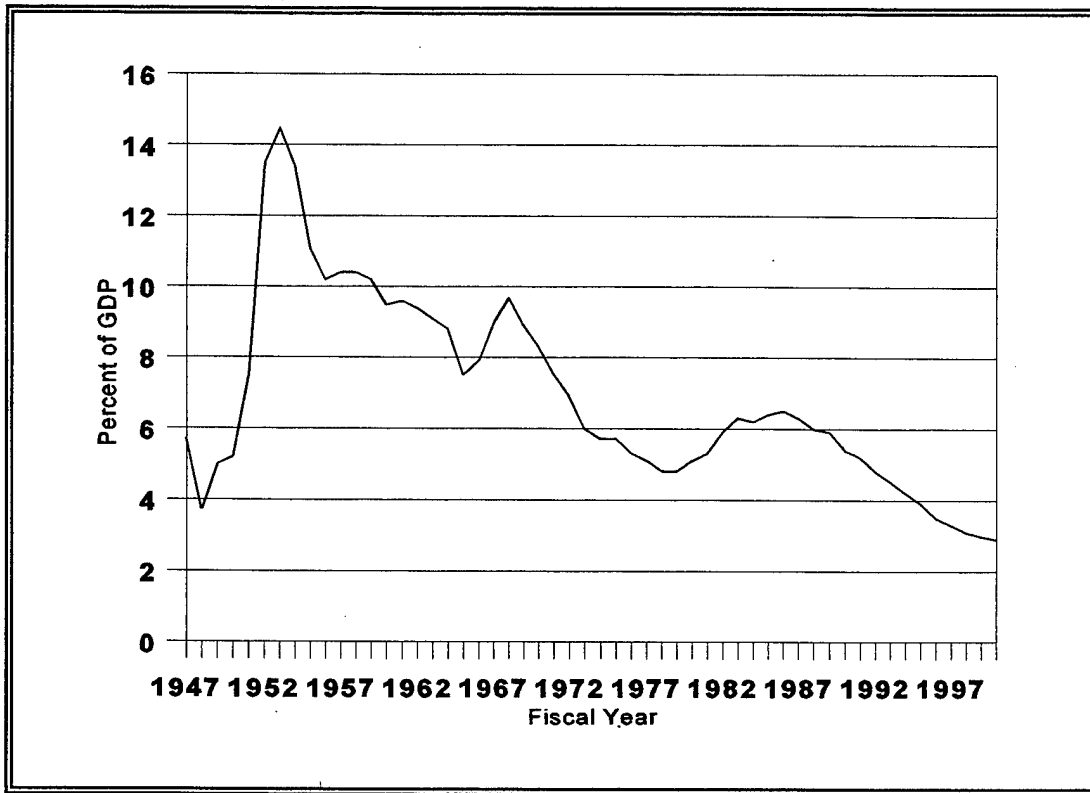
## **II. READINESS AND DEFENSE SPENDING**

### **A. RECENT TRENDS IN DEFENSE SPENDING**

Before undertaking the larger debate on defense spending, it is useful to examine the historical trends in defense spending. An evaluation of this data lends perspective to the current debate on defense spending. This section of the thesis provides historical defense spending data in several forms. First, it examines defense spending at the macro-economic level, comparing the amount of money spent by the government on defense versus the American economy as whole. Next, it explores how the Department of Defense budget fared against other segments of the federal budget, examining the defense budget as a percentage of total federal outlays. This section concludes with an analysis of the size of the defense budget itself, comparing recent defense spending against past, inflation adjusted, defense outlays.

#### **1. Defense as Percentage of GDP/GNP**

Analysis of America's defense spending since World War II shows the United States is currently devoting a much smaller percentage of its economic resources to fund defense. Figure 1 graphically illustrates the relationship of defense outlays to the GDP of the United States.



**Figure 1. National Defense Outlays as a Percentage of GDP, 1947-2000.** From Ref. 5.

Compared to its Korean War high of 14.5 percent, FY95 defense outlays amounted to a modern historical low of 3.9 percent of GDP. Current predictions of future defense outlays foresee defense outlays falling below 3.0 percent of GDP by the year 2000. [Ref. 5, p. 21] Even during the "soft" defense spending years following World War II and the war in Vietnam, the United States devoted a larger percentage of its economy to defense. These figures seem to refute the common perception that defense currently consumes an historically disproportionate large share of the nation's resources. The incredible sustained growth of the American economy, however, tends to distort the

defense spending percentages illustrated in Figure 1. Because a shrinking slice of a growing pie may continue to provide increasing resources for defense, an examination of the how defense outlays fared relative to other government spending categories provides better insight into the recent trends in defense spending.

## 2. Defense as a Percentage of Total Government Outlays

While spending on defense fell as a percentage of the nation's GDP, it also suffered from increased competition from other federal spending programs. Figure 2 shows how defense fared as a percentage of total federal outlays.

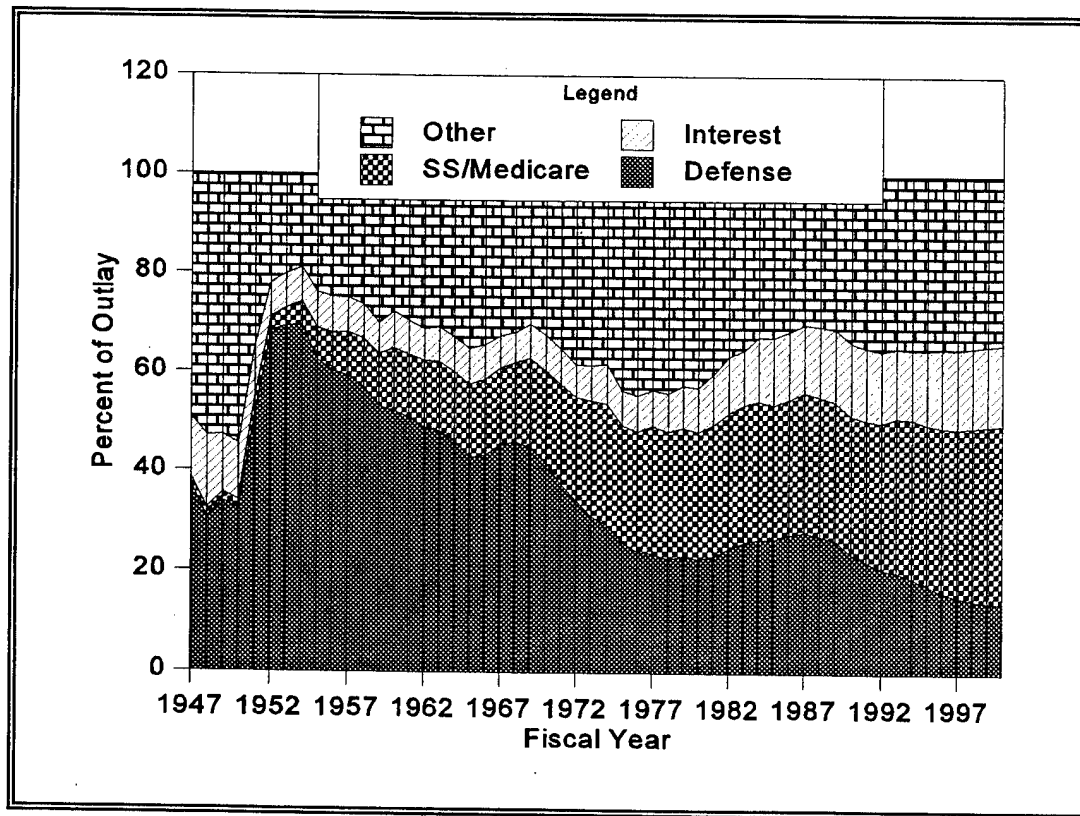
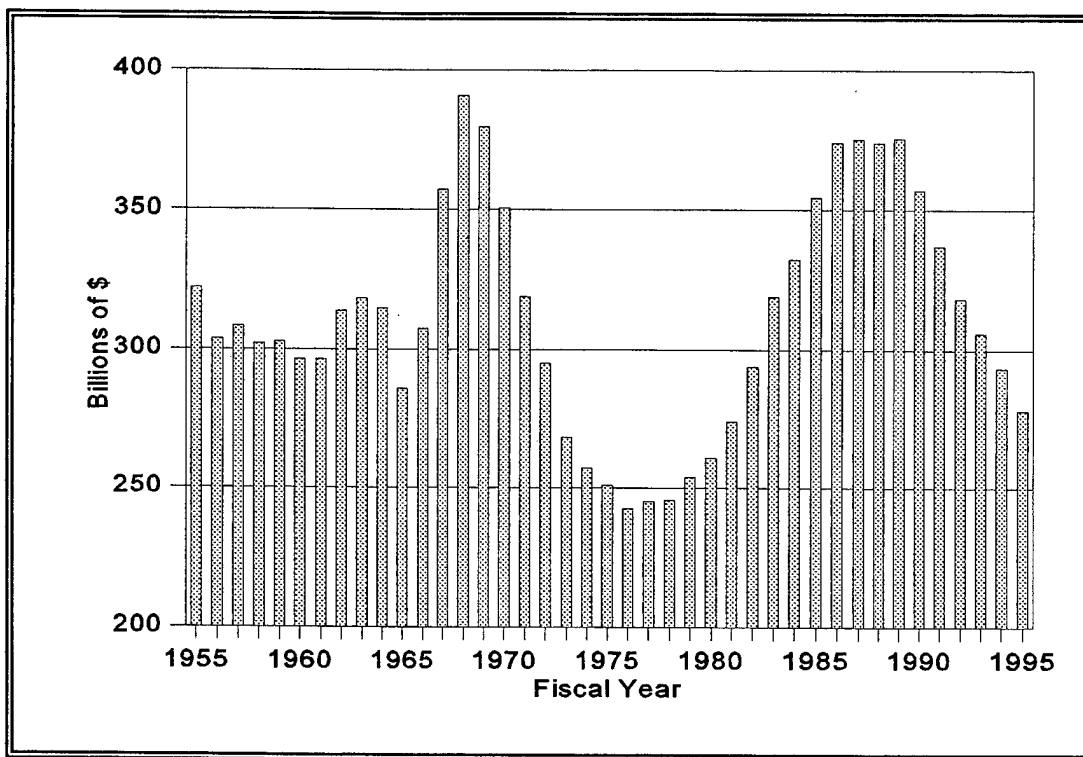


Figure 2. Allocation of Federal Outlays as a % of Total Federal Outlays 1947-2000. From Ref. 5.

Mandatory spending categories comprise those federal programs which are automatically funded each year and do not need to be appropriated annually by Congress. Social Security, Medicare, Medicaid, and interest on the national debt currently comprise over 75 percent of mandatory spending and represent approximately 60 percent of all federal outlays. [Ref. 5, p. 27] It is easy to see how the dramatic rise in mandatory spending has squeezed discretionary spending. In fact, Congress currently only appropriates approximately one-third of the annual federal outlays during its yearly budgeting process. Current Congressional Budget Office projections predict the sustained growth in mandatory spending will consume a continually greater portion of the federal budget. Projections show discretionary spending declining from its current 34 percent to 26 percent of federal outlays by the year 2005. [Ref. 10, p. 22] Thus, the growth of mandatory spending bodes ill for defense as it must compete against these programs for scarce government funding. While it is apparent that defense spending declined both as a percentage of the nation's GDP and federal outlays, an examination of the defense budgets themselves should provide additional insight into the defense debate.

### **3. Recent Defense Budget Trends**

Real defense outlays are approaching their lowest levels since the drawdown following World War II. Only those defense budgets enacted during the "hollow force" years of the 1970's were lower. Figure 3 and Table 1 provide insight into recent defense budget trends.



**Figure 3. Real Growth/Decline in National Defense Funding 1955-1995 (FY96 Dollars).** From Ref 5.

**Table 1. Real Budget Growth in National Defense Funding Outlays, 1986-1995, (FY96 Dollars).** From Ref. 5.

| Year    | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Outlays | 374.1 | 375.2 | 374.2 | 375.6 | 357   | 337.1 | 318.1 | 306   | 293.5 | 278.2 |
| %Change | 5.6%  | 0.3%  | -0.3% | 0.4%  | -4.9% | -5.6% | -5.6% | -3.8% | -4.1% | -5.2% |

Defense budget outlays, appropriated earlier during the Reagan defense build-up in the early and mid 1980's, reached their peak in 1989. By FY95, however, defense outlays comprised only 74 percent of that amount. [Ref. 5, p. 19]

Nevertheless, it is the defense future years spending program which has critics of

the defense drawdown most concerned. At the beginning of the FY96 congressional budgeting process, the administration planned to continue its defense cutbacks. These reductions would slash defense in real terms to an unprecedented low, both as a percentage of GDP and total federal outlays. The administration's Future Years Defense Plan (FYDP) would reduce defense spending to levels not seen since the "hollow years" of the 1970's. The anticipated effect these further budget reductions would have on our nation's defense readiness contributed to the sharp backlash in Congress. Before discussing the defense budget battle in FY96, an examination of the readiness debate which drove a major portion of the budget debate is required.

## **B. FRAMING THE READINESS DEBATE**

The primary mission of the armed forces of the United States is to win the nations' wars. On the battlefield, the effectiveness and efficiency of the armed forces is relatively simple to ascertain. In peacetime, however, without any actual combat to gauge the armed forces' performance, it is much more difficult to judge their preparedness for war. Therefore, the nation uses broad indicators, collectively lumped together under the term *readiness*, to appraise the military. This section explores the theory behind readiness, what components make up readiness and where they can be found in the military. It then translates these readiness terms into defense budget accounts which impact these readiness indicators. Finally, it looks at current trends in the defense readiness accounts.



## 1. Readiness Theory

The focal point in the current defense debate is readiness. The United States' National Military Strategy answers the question 'ready for what?'. [Ref. 11] Taking its cue from the President's National Security Strategy, the National Military Strategy identifies several threats to the nation's security and tasks the military to prepare itself to combat them. [Ref. 12] Primary among these missions is the need for the armed forces to successfully prosecute two *nearly simultaneous* major regional conflicts (MRCs). Most defense planners envision a conflict in the Middle East, (e.g., a "Desert Storm"), occurring in conjunction with a war against North Korea as a likely two MRC scenario. Additional taskings in the National Military Strategy such as drug interdiction and counter-terrorism operations compound the military's resource requirements. The crux of the readiness debate, however, is what constitutes one's definition of readiness.

According to Richard Betts, a Columbia University professor, the "popular notion of readiness refers to winning a war; narrow, professional notions focus on efficient performance." [Ref. 13, p.27] A useful definition of readiness must "incorporate both size and efficiency." [Ref. 13, p. 27] In his three part definition of readiness, Betts draws on the relationship of "available time and needed capability." Simply, a nation that can convert potential combat capability into actual combat capability before the onset of war is ready. One that cannot, is not ready. [Ref. 13, p. 28] Betts also argues that "a meaningful concept of readiness must not only cover the immediate situation, but the prospective situation some weeks, months, or years down the road." [Ref. 13, p. 30] Betts goes on to distinguish between different types of readiness.

**a.     *Operational Readiness***

Operational readiness, according to Betts, " is about efficiency and is measured in how soon an existing unit can reach peak capability for combat." [Ref. 13, p. 40] Indicators of operational readiness include training tempo, usually measured in terms such as flying hours or tanks miles, and maintenance efficiency reports, which note the percentage of a unit's equipment that is operationally ready. Lacking the funding to support both training exercises and equipment maintenance, the "hollow force" of the 1970's suffered from reduced operational readiness.

**b.     *Structural Readiness***

Structural readiness comprises the other half of the readiness equation. Structural readiness "concerns mass" and the "size of the forces necessary to deal with the enemy." [Ref. 13, p. 41] In simple terms, structural readiness is about size. It is about having a sufficient number of personnel and equipment to defeat the enemy. During the Cold War, the Soviets arguably enjoyed an advantage in structural readiness over their NATO counterparts.

Operational and structural readiness must compete for scarce defense dollars. If funding emphasizes "keeping existing units fully up to snuff, there is less available to buy additional units to keep on a threadbare operational status." [Ref. 13, p. 43] From a budgetary perspective, operational and structural readiness comprise the intellectual basis for what this thesis terms the Readiness Triad. The Readiness Triad is comprised of three segments, or legs, each of which must be properly addressed in the

defense budget to ensure operational and structural readiness.

## **2. The Readiness Triad**

The first leg of the Readiness Triad is force structure. Force structure refers to the basic size of the military in terms of personnel and equipment. It is measured in terms of Army divisions, Air Force wings, Navy ships, and other similarly quantifiable measurements. Force structure primarily addresses structural readiness. The military must possess the requisite number of men and machines to be able to deal with multiple regional adversaries.

Weapons modernization comprises the second leg of the Readiness Triad. The military's equipment modernization program and its funding address this leg of the triad. Readiness indicators in this leg include the age of current weapons and the number of new weapons under development. Given the rapid technological advance in military weapons systems, it is crucial that the military possess modern weapons systems in combat. Weapons modernization provides primarily for structural readiness. Investment in new, advanced weapons, supports the long term readiness of American forces by ensuring they are properly equipped to combat an increasingly sophisticated foe.

The last leg of the Readiness Triad is operational ability. This somewhat nebulous term encompasses the degree to which existing personnel and equipment have achieved their potential combat capability. Defense funds spent on training ammunition, aircraft fuel, repairing damaged equipment, and other similar expenses hone the expertise of existing military forces. This leg of the Triad is the most difficult to measure and analysts

must rely on artificial indicators such as 'tank miles' or 'training days' to judge the proficiency of a unit. Operational ability addresses the short term needs of Betts' operational readiness.

This thesis argues that long term success in maintaining the military's readiness lies in achieving a balance among all three legs. Serious decay of any one of the three legs could jeopardize American readiness and success on the battlefield. For example, Iraq demonstrated during Desert Storm that a military, hobbled by a weak leg in its Readiness Triad, could not hope to compete against a well rounded adversary. Although large and equipped with modern weapon systems, the comparatively miserable operational ability of the Iraqi military doomed it to failure. In a similar fashion, although Great Britain possesses a modern, well trained military, it simply does not have the force structure to allow it to handle the demands of a 2 MRC scenario. In the United States, a considerable portion of the current defense readiness debate concerns the weapons modernization leg of the Triad. [Ref. 14, p. 34] To see the trends in defense readiness, it is first useful to identify the segments of defense budget which address each leg of the Triad.

### **3. Budgetary Components of Readiness**

Although evaluating readiness in monetary terms is somewhat crude and simplistic, it does provide quantifiable insight into the readiness debate. Military Personnel (MilPers), Operations and Maintenance (O&M), Research, Development, Testing, and Evaluation (RDT&E), and Procurement are the four largest defense budget functions and comprise over 90 percent of the current DoD budget. [Ref. 5, p. 6] An examination of

each defense spending function and the components of the Readiness Triad which it addresses provides additional insight into readiness debate.

**a. *Military Personal***

The MilPers account pays for the salaries and benefits of the men and women in the armed forces. The MilPers account addresses two legs of the Readiness triad. First, MilPers supports the basic force structure of the 1.5 million man military. Secondly, the MilPers account bolsters operational ability. By providing salaries relatively competitive with the civilian community, the MilPers budget helps to attract and maintain high quality personnel in the military. Although the MilPers account funds two legs of the Readiness Triad, it is difficult to assign a set percentage of the account's dollars to either leg.

**b. *Operations and Maintenance***

The O&M accounts funds a litany of military programs. Like MilPers, this 'fast spending' account outlays most of its budgetary authority each fiscal year. [Ref. 15, p. A21] Most of the money in this account pays for yearly training expenses, defense infrastructure support, and equipment maintenance. Although small portions of this diverse budget function do support programs within the other two readiness legs, the O&M accounts primarily address the operational ability leg of the Readiness Triad.

**c.     *Research, Development, Testing, and Evaluation***

The RDT&E accounts indirectly fund the modernization leg of the Readiness Triad. Both generic and weapon specific military research programs receive funding from this account. RDT&E funds produce technological advancements which are then incorporated in new weapon designs. The RDT&E accounts thus fuel the long term advancement in weapon modernization.

**d.     *Procurement***

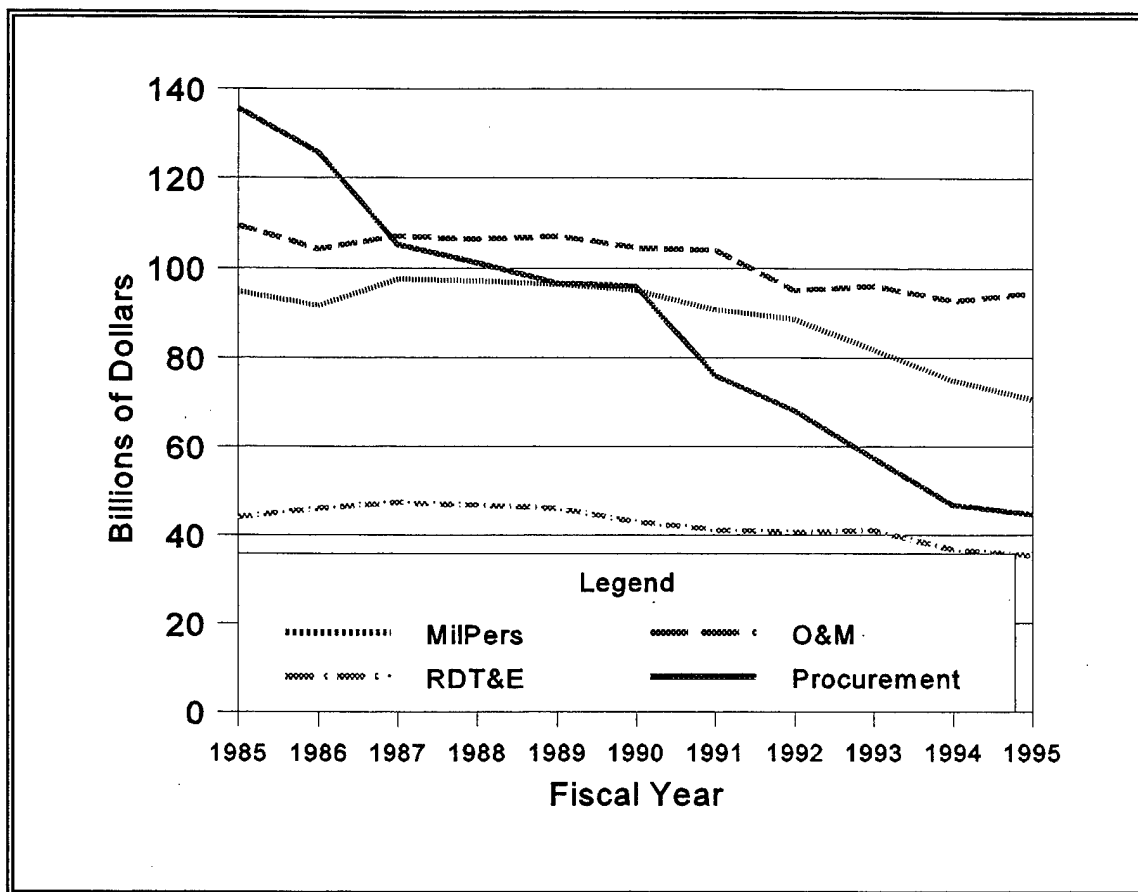
After developing a weapon system with RDT&E funds, the military purchases the new equipment with money from its procurement accounts. The procurement defense budget funds the purchase of new tanks, aircraft, ships, and similar items. The procurement accounts support the weapons modernization leg of the triad. Although the procurement funds replace old and worn out weapons in the existing force structure, the majority of the equipment costs are in the technical advances incorporated into increasingly sophisticated designs. In his book, *Affording Defense*, Jacques Gansler estimates that the costs of new weapons systems are growing at a rate of 5 to 7 percent a year above inflation. [Ref. 16, p. 61] Therefore, the replacement of a 15 year old weapon with a new one requires over double the defense funds of the original (excluding inflation.)

**4.     Recent Trends in the Readiness Accounts**

The end of the Cold War and the "right sizing" of the American military which followed left the United States with 29 percent fewer military members than a decade

earlier. Within this force structure reduction, the MilPers and O&M budgets also declined, but at rates significantly smaller than the force structure as a whole (25 percent and 18 percent respectively). Thus, the operational ability leg of the Readiness Triad fared comparatively well during the last ten years.

The accounts supporting the weapons modernization legs of the Readiness Triad, however, did not fare so well. Although RDT&E declined only 21 percent, the much larger procurement accounts fell by 61 percent. Figure 4 graphically illustrates the trends in these four defense budget functions during the last decade. These figures lend credibility to the defense critics demand for changes in the FY96 defense budget to address the neglect of weapons modernization. [Ref. 5, p. 12]



**Figure 4. National Defense Budget Function Budget Authority, FY1985-1995, (FY96 Dollars).** From Ref. 5.



### **III. THE PRESIDENT'S BUDGET PROPOSAL AND THE CONGRESSIONAL BUDGET RESOLUTION**

The startling Republican victories in the November 1994 congressional elections resulted in a GOP majority in both the House and Senate, an event which had not occurred in 40 years. [Ref. 1] The Republicans of the 104th Congress held a 230 to 204 majority in the House (plus 1 independent) and a slimmer 53 to 47 seat plurality in the Senate. [Ref.17] The Republican leadership quickly advanced an aggressive agenda of government restructure and fiscal reform. The GOP agenda, dubbed the Contract with America, called for massive reduction in federal entitlements and non-defense discretionary spending, a tax cut, and a restoration of defense funding.

These competing Republican objectives made any changes to the current defense drawdown much more contentious. This chapter discusses several issues which dominated the early defense budget debate. It presents the President's two defense budget proposals and competing defense budget proposals within Congress. It then follows the defense debate through the congressional budget committees, on the House and Senate floor, and in the conference committee. The chapter concludes with a summary of how the final congressional budget resolution compared to the White House, House, and Senate recommendations for defense.

## **A. EARLY DEFENSE ISSUES**

### **1. Deficit Hawks Versus Defense Hawks**

The overarching goal of the 104th Republican Congress was to balance the federal budget by the year 2002. [Ref. 3, p. 3218] The chronic imbalance between yearly government revenues and expenditures produced a federal budget which had not balanced in 25 years and a debt of almost 5 trillion dollars. [Ref. 18, p. 33] Obviously, an increase, or at least a freeze in the planned defense drawdown, would retard the general Republican effort to reduce expenditures. Disagreement over defense spending threatened to divide the Republican majority. Those who favored an increase in defense spending, the "defense hawks," found themselves opposed by those Republicans wanting to constrain defense spending in hopes of trimming the federal deficit, the "deficit hawks."

The defense hawks were led by Senate Armed Services Committee Chairman Strom Thurmond, R-SC, and House National Security Committee Chairman Floyd Spence, R-SC, both of whom argued for freezing defense spending at its FY95 level and adjusting it for inflation thereafter. [Ref. 19, p.10] This proposed freeze would add \$140 billion to the planned defense budget authority through FY2001. Similarly, Senators John McCain, R-AZ, and John Warner, R-VA, in an open letter to their fellow congressional colleagues, called on Congress to fulfill its mandate "by halting the Clinton Administration's defense budget reduction and freezing defense for at least one year." [Ref. 6]

The deficit hawks, on the other hand, believed their balanced budget "mandate" outweighed any other budget initiative. They resisted efforts to add money to the defense

budget and preferred that any new money for defense come from restructuring defense programs which Congress had already authorized. [Ref. 4, p. 167] Deficit hawks hoped to avoid adding to the tab which they would have to cut out of other programs.

A CNN/USA Today poll conducted in late November 1994 found increased defense spending was the least popular item in the Republican Contract with America, with 55 percent of poll respondents opposed to the defense increase. [Ref. 4, p. 169] Acutely aware of these numbers, several senior GOP leaders took a cautious middle position. Congressman John Kasich, R-OH, Chairman of the House Budget Committee, while not flatly opposed to the defense increase, responded "we'd better do it under the microscope." [Ref. 4, p. 166] Similarly, Speaker of the House, Newt Gingrich, R-GA, straddled the issue, commenting that "I'm a hawk, but a cheap hawk." [Ref. 20, p. 10]

## **2. Non-Defense Programs**

Both defense and deficit hawks focused their energies on the so called "non-defense" programs in the defense budget. Non-defense items comprise a litany of non-traditional programs "that some may consider not to contribute wholly and directly to military readiness." [Ref. 19, p. 7] Non-defense programs had grown rapidly during the previous five years and comprised more than \$11 billion dollars in FY95. Table 2 contains a list of non-defense items contained in the President's FY96 defense budget proposal.

**Table 2. 'Non-Defense' Items in the FY96 Budget Proposal. From Ref. 19.**

|  |                         |
|--|-------------------------|
| <b>Environmental Cleanup and Compliance</b>                | <b>\$4,987 million</b>  |
| Environmental Restoration                                  | 1,622 million           |
| Environmental Compliance                                   | 2,209 million           |
| Base Realignment and Closure Restoration                   | 457 million             |
| Conservation/Pollution Prevention/Environmental Technology | 699 million             |
| <b>Defense Conversion Programs</b>                         | <b>\$1,831 million</b>  |
| Personnel Transition Assistance                            | 1,146 million           |
| Office of Economic Adjustment/Community Assistance         | 168 million             |
| Technology Reinvestment Project and Related R&D            | 516 million             |
| <b>Other R&amp;D Programs</b>                              | <b>\$2,245 million</b>  |
| Dual Use R&D   | 2,226 million           |
| Medical Earmarks/Programs                                  | 19 million              |
| <b>O&amp;M Activities</b>                                  | <b>\$1,211 million</b>  |
| Drug Interdiction  | 680 million             |
| Former Soviet Union Threat Reduction ("Nunn-Lugar")        | 371 million             |
| Humanitarian Assistance                                    | 80 million              |
| International Peacekeeping/Peace Enforcement               | 65 million              |
| Sporting Events & Holiday Support                          | 15 million              |
| <b>Grand Total</b>   | <b>\$10,274 million</b> |

Early in the defense debate, many Republicans viewed the elimination of these programs as a multi-billion dollar defense windfall. Clearly, programs such as the \$210 million earmarked for breast cancer research or the \$14.4 million to support the Olympic games in

Atlanta seemed out of place in the defense budget. [Ref. 21, p. 1] Pentagon comptroller John Hamre commented "These are all good programs, they just aren't our job." [Ref. 21, p. 1] However, the wholesale elimination of the so-called "non-defense" programs, and the five year, \$60 billion savings to follow, would not materialize.

Supporters of the non-defense programs focused on two themes in their defense of these programs. First, many of the non-defense projects could prove legally difficult to eliminate. For example, failure to properly fund many of the environmental programs could result in violations of federal, state, or local regulations, laws the military must also obey. [Ref. 19, p. 7] Second, several senior administration defense officials, including Secretary of Defense William Perry, contended that many of these non-defense programs, while possibly falling outside the narrow scope of traditional military thinking, contributed to a broader notion of national security. Secretary Perry cited both the Nunn-Lugar project to dismantle nuclear weapons in the former Soviet Union and the dual use technologies developed with funding from the Technology Reinvestment Plan as examples. [Ref. 4, p. 169] Congress attempted to reduce or eliminate several of these programs in its FY95 defense supplemental appropriations and recissions bill as well as the FY96 defense authorization and appropriations bills.

### **3. Defense Budget Shortfalls**

In July of 1994 the General Accounting Office (GAO) issued a report concluding that due to overprogramming, the current future years defense plan (FYDP) budget fell short of defense requirements by \$150 billion. [Ref. 19, p. 5] This report fueled the

defense hawk furor for increased defense spending. Defense hawk Congressman Duncan Hunter, R-CA, responded "GAO is not a pro-defense organization, when they see a \$150 billion shortfall that is cause for alarm." [Ref. 4, p. 168] The GAO report focused on the Pentagon's chronic mismanagement of major weapons programs and accused the DoD of consistently underfunding major defense programs.

A December 1994 Congressional Budget Office (CBO) report supported most of the GAO study's findings. It identified a potential mismatch in defense funding of between \$65 and \$109 billion. [Ref. 9] The CBO report, summarized in Table 3, outlined a number of factors which could contribute to the shortfall.

**Table 3. CBO: Potential Shortages in the FYDP.** From Ref. 19.

|  |                     |
|--|---------------------|
| 1995 Pay Raise   | \$6 billion         |
| 1996-99 Full Pay Raises                                | \$17 billion        |
| DoD Future Adjustments                                 | \$20 billion        |
| Weapons Cost Growth                                    | \$8 billion         |
| Larger 1995 Base Closure Round Costs                   | \$7 billion         |
| DoD Quality of Life Adjustments                        | \$2 billion         |
| Contingency Operations                                 | \$6 billion         |
| <b>TOTAL, Definite and Likely Areas of Cost Growth</b> | <b>\$65 billion</b> |
| Pessimistic Estimate of Weapons Cost Growth            | \$24 billion        |
| Environmental Programs Cost Growth                     | \$20 billion        |
| <b>TOTAL, Less Certain Areas of Cost Growth</b>        | <b>\$44 billion</b> |

Although budget shortfalls are not new (CBO projected a \$325 billion shortfall

during the Reagan years), defense hawks worried that the administration's FYDP may negatively impact defense. Especially worrisome to the defense hawks were the out years of the FYDP. Defense hawks feared the aging of the current generation of weapons and the need for their eventual replacement, in combination with the limited defense funds projected for the future, may create a "bow wave of acquisition programs." [Ref. 19, p. 7] By continually postponing the planned purchase of new equipment, defense hawks believed the White House was creating a huge deficit in weapons procurement funding.

#### **4. Readiness**

Budgeting for military readiness accounted for a large portion of the early debate on defense in 1995. Critics of the administration's defense program pointed to the real and potential readiness problems for the military in their focus on deficiencies in both short term operational readiness and long term weapons modernization. Again, the debate over what constitutes a proper definition of military readiness complicated the defense debate.

##### ***a. Short Term Readiness***

In his 1994 report, *How Serious is the Clinton Deficit?*, Senator McCain outlined a series of short term readiness failures in the Clinton defense budget. Citing excerpts from reports generated by the Joint Chiefs of Staff, Senator McCain described the lack of training funds, backlog of repair orders, and the decline in several combat units' readiness ratings as evidence of decaying short term readiness. [Ref. 22] Other defense critics pointed to the drain on operational funds created by the administration's

supposed eagerness to commit troops overseas. Several unbudgeted contingency operations in places such as Haiti and Somalia fueled the defense critics' charges that the White House had both sacrificed critical O&M funds and created an untenably high operational tempo for military personnel. According to some, these forces combined to create "pockets of unreadiness in the force." [Ref. 8, p. 2129]

The administration countered that while anecdotal evidence suggested otherwise, short term readiness rates were at an all time high. [Ref. 7, p. 3615] The reduced readiness rating of three Army divisions and several Navy fighter squadrons were not symptomatic of an overall decline in readiness, but rather, "reflect deliberate tradeoffs.....to accommodate temporary shortages." [Ref. 7, p. 3615] Defense administration officials asserted that these types of shortages reflect a timing problem inherent in funding contingency operations. Chapter IV of the thesis will provide a more detailed analysis of this subject.

#### ***b. Long Term Readiness***

Defense critics also charged that long term military readiness, provided for by an adequate weapons modernization program, was in jeopardy. Early in the FY96 defense budget debate, the House National Security Committee argued that "modernization....has been mortgaged in a desperate attempt to bolster near term readiness." [Ref. 23, p. 1659] Given the drastic reduction in the size of the procurement budget within the last decade, defense critics believed the current defense budget inadequate for weapons modernization. They pointed to items such as the Air Force's



strategic airlift and the Army's truck fleet as systems requiring immediate attention. [Ref. 19, p. 10] "Our legacy to the next generation is likely to be 45 year old training aircraft, 35 year old bombers, 25 year old fighters, 35 year old trucks, and 40 year old helicopters," reported a defense panel made up of former JCS members. [Ref. 24, p. 20] The Clinton administration responded to this criticism with a new defense proposal prior to the President's budget proposal.

## **B. THE CLINTON PLUS-UP**

In September 1994, Deputy Secretary of Defense John Deutch acknowledged the possibility of defense budget shortfalls identified by GAO and CBO and called for \$40 billion in additional defense cuts from the services. [Ref. 25, p. 6] The delay or cancellation of nine major weapons systems identified in Deutch's memorandum to cover the funding gap produced a strong outcry from the administration's defense critics. [Ref. 26, p. 1] In response to these complaints, Deutch announced that the White House was considering an increase in the defense budget to cover at least half of the shortfall. [Ref. 27, p. 81]

During December, in his first major policy decision after the Republicans had gained control of Congress, President Clinton announced a \$25 billion increase to the six year FYDP to address the defense budget funding shortfall. [Ref. 26, p. 1] Although the services would still have to cut or postpone funding for \$12 billion in weapons programs, the additional dollars proposed by Clinton alleviated most of the previously proposed cuts. Clinton's defense plus-up provided an additional \$2 billion to his FY96 defense budget

proposal. Critics were quick to note, however, that most of the President's funding increases took place in the last two years of the FYDP. Table 4 details the President's defense spending augmentation.

**Table 4. President Clinton's Defense Proposal, (Current Year Dollars).** From Ref. 28.

|                              | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  |
|------------------------------|-------|-------|-------|-------|-------|-------|
| <b>Previous Clinton Plan</b> | \$244 | \$241 | \$248 | \$254 | \$261 | \$268 |
| <b>Proposed Increase</b>     | \$2   | \$2   | \$3   | \$3   | \$6   | \$9   |
| <b>New Budget Request</b>    | \$246 | \$243 | \$251 | \$257 | \$267 | \$277 |

Revised estimates of weapons programs costs by the DoD increased the defense budget shortfall to \$49 billion by late November. The Clinton plus-up addressed the funding dilemma with a combination of program cuts, spending increases, and new economic assumptions. [Ref. 26, p. 1] Defense analysts regarded the Clinton defense plus-up as an effort to blunt the intense criticism of his defense plan by the new Republican Congress. [Ref. 26, p. 1] Still, defense hawks charged that the plus-up was merely "a Band-Aid, where you need a tourniquet." [Ref. 26, p. 1] Table 5 illustrates the breakdown of the \$49 Billion plus-up.

**Table 5. Breakdown of the \$49 Billion Clinton Plus-Up.** From Ref. 26.

|   |                     |
|---|---------------------|
| <b>Increased Defense Spending FY96-FY01</b> | <b>\$25 Billion</b> |
| <b>Program/Budget Cuts</b>                  | <b>\$12 Billion</b> |
| <b>Lower Inflation Estimate</b>             | <b>\$12 Billion</b> |
| <i>Total</i>                                | <b>\$49 Billion</b> |

### **C. THE CLINTON BUDGET PROPOSAL**

During the first week in February, President Clinton unveiled his FY96 budget proposal to Congress. Highlights of his proposal included cuts to non-defense discretionary spending, a small middle class tax cut, and a \$196.7 billion deficit. [Ref. 29, p. 1] Always a political document, the President's budget proposal was both applauded for its effort to reduce the size of government and derided for its defeatist approach to balancing the budget. [Ref. 29, p. 1] For defense, President Clinton's proposal continued the drawdown in effect over the past decade. In real terms, the proposed six year FYDP would see a decline in defense budget authority in FY96 and FY97, a leveling off period during FY98 and FY99, and a slight increase in FY00 and FY01. [Ref. 19, p. 13] Table 5 documents President Clinton's proposed defense spending for FY96-FY01.

**Table 6. FY96 Presidential Budget Proposal, (Current Year and Constant FY96 Dollars), and Percent of Growth or Decline From Previous Year. From Ref. 5 and 19.**

|                       | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | Total  |
|-----------------------|-------|-------|-------|-------|-------|-------|--------|
| Budget Authority-Cur. | 257.6 | 253.4 | 259.6 | 266.3 | 276.0 | 286.5 | 1599.4 |
| Budget Authority-Con. | 257.6 | 246.2 | 245.0 | 244.3 | 246.6 | 249.3 | 1489.0 |
| Real Growth/Decline   | -4.8% | -4.5% | -0.5% | -0.3% | 0.9%  | 1.1%  | NA     |
| Outlays-Current       | 260.9 | 256.9 | 254.5 | 259.7 | 267.8 | 271.5 | 1571.3 |
| Outlays-Constant      | 260.9 | 249.6 | 240.5 | 238.2 | 239.3 | 236.4 | 1474.9 |
| Real Growth/Decline   | -6.2% | -4.4% | -3.6% | -0.9% | 0.4%  | -1.2% | NA     |

#### **D. THE NATIONAL SECURITY REVITALIZATION ACT**

As part of the Contract with America, House Republicans introduced the National Security Revitalization Act (H. Con. 7) to uphold their campaign promise of military restoration. The legislation provided the Republicans an opportunity to advance a non-binding declaration for increased defense spending. Other provisions within the bill included a major reduction in funding for U. N. peacekeeping operations and the formation of a blue ribbon commission to study military readiness. The bill passed the House on February 16th on a vote of 241-181. However, a controversial amendment to eliminate language in the bill which called for the establishment of an anti-missile defense system for the United States passed the House by a narrow margin of 218-212. [Ref. 30, p. 998]

Although there was interest in some of the provisions of the National Security

Revitalization Act in the Senate, that body took a much more conservative approach to defense in FY96. The Senate largely ignored the House bill's call for increased defense spending and instead concentrated on the military's role in foreign policy issues. The proposed Senate measure (S 5) would have reduced funding for the United Nations peacekeeping operations and imposed additional restrictions on placing U. S. troops under foreign command. [Ref. 31 p. 878] However, although some portions of the House bill found their way into other Senate bills, notably the defense authorization bill, the Senate left most of the House bill on the committee floor. Without the requisite support in the Senate, interest in the House's now symbolic National Security Revitalization Act faded from congressional attention.

#### **E. HOUSE BUDGET COMMITTEE AND FLOOR DEBATE**

On 10 May, 1995, the House Budget Committee passed its version of the FY96 budget resolution on a 24-17 vote. [Ref. 32, p. 182] The Budget Committee added \$9.5 billion to the President's request for defense. The Committee's \$267.3 billion defense budget sought to reflect a defense strategy which was "responsible, sustainable, and matched by the requisite number of dollars - in contrast to the mismatch between spending and strategy in the Clinton budget." [Ref. 32, p. 15] The Committee believed its budget supported both "near term readiness and balanced modernization." [Ref. 32, p. 15] Overall, the Committee's plan would add \$70 billion in budget authority to the defense budget over FY96-FY02. [Ref. 33, p. 1342] However, measured in constant dollars, the proposed FY96 budget resolution cut both BA and outlays from the FY95 level and

required further cuts every year through FY02. In other words, real spending for defense was lower than the FY95 levels every year in the budget resolution.

On 18 May, 1995, in a 238-193 vote along party lines, the House passed its version of the FY96 budget resolution (H. Con Res. 67). Despite several attempts to amend the House Budget Committee's recommendation for defense, the Committee's proposal was not changed. The House-passed version of the budget resolution sought to provide additional funds for weapons modernization (\$6 billion) and quality of life programs (\$3 billion). [Ref. 34, p. 4] The fate of the theater missile defense program, F-22 fighter, B-2 bomber, Commanche helicopter and several other major weapons systems received a considerable boost from the vote. [Ref. 31, p. 3]

The House debate over increased defense spending witnessed the formation of unusual alliances between Republican deficit hawks and Democrats opposed to increased defense spending. For example, Congressman Ronald Dellums, R-CA, ranking House member of the House National Security Committee, and House Budget Committee Chairman, John Kasich, both vowed to fight the use of the added defense funds for additional B-2 bomber production. This ideological split foreshadowed a major showdown on FY96 defense spending in Congress. [Ref. 35, p. 37] Table 7 at the end of this chapter provides a summary of the House passed, Senate passed, and conference agreement budget resolutions for FY96.

## **F. SENATE BUDGET COMMITTEE AND FLOOR DEBATE**

A day after the House Budget Committee, the Senate Budget Committee passed its version of the budget resolution 12-10. [Ref. 36, p. 299] Led by deficit hawk and Budget Chairman Senator Pete Domenici, the Senate Budget Committee rejected efforts to increase the defense budget. Instead, the Senate Budget Committee simply incorporated the President's defense budget proposal into its own budget resolution.

The Senate Budget Committee's resolution focused on "DoD's two most important initiatives: readiness and quality of life." [ Ref. 36, p. 28] However, the Committee considered only the short term, operational portion of strategic readiness. The Committee went as far as to include DoD language on the number of ship steaming days and Navy flying hours their budget would support in their report. [Ref. 36, p. 28] On the subject of weapons modernization, the report merely substituted the Administration's plans as its own. The report concluded with the assertion that by streamlining and restructuring the DoD acquisition process, billions of additional dollars could be made available for defense. [Ref. 36, p. 36]

On a 55-42 vote along party lines, the Senate passed its version of the FY96 budget resolution (S. Con. Res. 13) on May 25th. The defense portion of the Senate passed version of the budget resolution remained essentially unchanged compared to the Senate Budget Committee's recommendations. For defense, the final Senate budget resolution differed only slightly from the Clinton defense budget proposal during FY96-FY00. Surprisingly, however, the Senate bill provided \$10.6 billion *less* in budget authority in FY01. [Ref. 19, p. 13] An amendment to the Senate budget resolution

offered by Senate Armed Services Committee Chairman Strom Thurmond, R-SC, and ranking minority member Senator Sam Nunn, D-GA, to increase defense spending to the House-passed levels failed on a vote of 40-60. [Ref. 19, p. 13]

#### **G. THE SECOND CLINTON BUDGET PROPOSAL**

President Clinton unveiled an unexpected second budget proposal in the midst of the House and Senate conference on the budget resolution. The President's 12 June proposal fundamentally shifted the budget debate from a question of whether to balance the budget, to a question of how to do it and how fast. [Ref. 37, p. 1715] The President's 10 year proposal contributed \$520 billion towards deficit reduction, compared to \$756 billion in the House's plan and \$958 billion in the Senate's. [Ref. 37, p. 1717]

The new Clinton plan left defense largely untouched, cutting \$3 billion over a 10 year period. [Ref. 37, p.1717] However, Republicans quickly dismissed the new Clinton proposal because of the questionable economic assumptions on which it was based. [Ref. 37, p. 1715] Consequently, while acknowledging the positive direction the President's new budget was heading, Congress pressed on with its own budget balancing agenda.

#### **H. CONFERENCE AGREEMENT**

The conference committee on the budget resolution largely split the difference between the House and Senate budget resolutions for defense in FY96. The conference agreement's solution to the large difference in the FYDP funding between the House (+\$70.4 billion in budget authority, +\$54.2 billion in outlays) and Senate (-\$10.6 billion in



budget authority, -\$3.6 in outlays) was a compromise between the two. The conference committee provided an additional \$7.1 billion in budget authority and \$2.2 billion in outlays over the President's request in FY96 and a total of \$24.8 billion in budget authority and \$28.7 billion in outlays over FY96-FY01. [Ref. 38, p. 63] The conference recommended that the additional defense funds provide for RDT&E and weapons procurement in FY96 and be equally split between the O&M accounts and weapons procurement thereafter. [Ref. 38, p. 63]

The conference committee sought to fulfill three aims: "end the decline in defense spending," "fill the trough" in the Administration's defense spending plans in FY96-FY98, and provide a "steady and increasing stream of budget authority" for defense. [Ref. 38, p. 63] Although the committee did increase defense funds for the FY96-FY98 period over the administration's request, their plan neither halted the decline in defense spending nor provided for increased defense dollars in future years. The conference agreement provided for defense to grow approximately 1 percent a year. Nonetheless, due to inflation, each year in the FY96-FY02 budget resolution contained lower defense spending than the FY95 defense budget. [Ref. 38, p. 63]

The conference agreement did, however, maintain the Senate's commitment to re-establish "firewalls" between defense and non-defense discretionary spending for FY96-FY98. [Ref. 19, p. 15] Under the Budget Enforcement Act of 1990, individual spending caps for defense, international, and defense programs could not be exceeded by Congress. In 1993, however, Congress replaced the separate caps for discretionary spending with a combined cap on all discretionary spending for FY94 and FY95. [Ref. 39] The conference

agreement sought to re-establish the individual spending caps and build a "firewall" between the discretionary accounts. As a result, budget cuts from defense, for example, could not be used to fund other discretionary programs during this period.

While the budget resolution did not put the "firewalls" into law, it did establish a mechanism in the Senate to maintain the "firewalls." Any spending measure introduced in the Senate which violated the "firewalls" would be subject to a point of order. To override the point of order would require 60 votes. [Ref. 40, p.25] In other words, while the "firewalls" erected by the Senate did not prevent shifting funds between the discretionary accounts, it made doing so more difficult. [Ref. 38, p. 90] However, while the "firewalls" protected defense spending in FY96, the FY97 and FY98 "firewalls" were contingent upon the enactment of the FY96 reconciliation bill. Because the President vetoed this legislation, the "firewall" protection for defense ended in FY96. [Ref. 40, p.90]

The concurrent resolution on the budget quickly passed both the House (238-193) and Senate (54-46). [Ref. 3, p. 1899] Although the budget resolution established the topline figure for defense spending in FY96, the debate on what to purchase with those funds remained. Even before Congress passed the budget resolution, the defense committees in both houses began work on their legislation.

**Table 7. Budget Resolution Alternatives for Defense, (Current Year Dollars). From Ref. 19.**

|                               | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | Total |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b><u>Admin Request</u></b>   |       |       |       |       |       |       |       |       |
| <b>BA</b>                     | 257.6 | 253.4 | 259.6 | 266.3 | 276.0 | 286.5 | NA    | NA    |
| <b>Outlays</b>                | 260.9 | 256.9 | 254.5 | 259.7 | 267.8 | 271.5 | NA    | NA    |
| <b><u>House Passed</u></b>    |       |       |       |       |       |       |       |       |
| <b>BA</b>                     | 267.3 | 269.3 | 277.3 | 281.3 | 287.3 | 287.3 | 287.2 | NA    |
| <b>Delta</b>                  | +9.7  | +15.9 | +17.6 | +15.1 | +11.3 | +0.8  | NA    | +70.4 |
| <b>Outlays</b>                | 265.1 | 265.3 | 265.3 | 271.3 | 279.3 | 279.3 | 279.2 | NA    |
| <b>Delta</b>                  | +4.1  | +8.3  | +10.8 | +11.7 | +11.5 | +7.8  | NA    | +54.2 |
| <b><u>Senate Passed</u></b>   |       |       |       |       |       |       |       |       |
| <b>BA</b>                     | 257.7 | 253.4 | 259.6 | 266.2 | 276.0 | 275.9 | 275.9 | NA    |
| <b>Delta</b>                  | +0.1  | 0.0   | 0.0   | -0.1  | 0.0   | -10.6 | NA    | -10.6 |
| <b>Outlays</b>                | 261.1 | 257.0 | 254.5 | 259.6 | 267.8 | 267.7 | 269.2 | NA    |
| <b>Delta</b>                  | +0.2  | +0.1  | 0.0   | -0.1  | 0.0   | -3.8  | NA    | -3.6  |
| <b><u>Conf. Agreement</u></b> |       |       |       |       |       |       |       |       |
| <b>BA</b>                     | 264.7 | 267.3 | 269.0 | 271.7 | 274.4 | 277.1 | 280.0 | NA    |
| <b>Delta</b>                  | +7.1  | +13.9 | +9.4  | +5.4  | -1.6  | -9.4  | NA    | +24.8 |
| <b>Outlays</b>                | 263.1 | 265.0 | 263.8 | 267.2 | 270.9 | 270.0 | 270.0 | NA    |
| <b>Delta</b>                  | +2.2  | +8.1  | +9.3  | +7.5  | +3.1  | -1.5  | NA    | +28.7 |



#### **IV. CONGRESSIONAL ACTION ON FY95 DEFENSE SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS**

The supplemental appropriations and rescissions bills for the FY95 defense budget provided the first opportunity for the Republican majority to vote on defense in 1995. The debate on these bills occurred concurrently with the formulation of the larger FY96 defense budget. Both defense and deficit hawks displayed a strong desire to modify the previous years' Democratic defense budget.

This chapter provides a detailed examination of congressional action on the defense supplemental appropriations and rescissions bills enacted in 1995. It initially provides background information on the events which cause defense funding shortages. It discusses the funding dilemma these shortages generate in the military and how supplemental appropriations are used to rectify the problem. The chapter then presents the specific supplemental defense funding issues in 1995 which required congressional action. It tracks the debate on the subject from the White House request, through the House and Senate Appropriations Committees, on the House and Senate floor, and in the Conference Committee. It concludes with an analysis of what the debate on defense supplemental appropriations and rescissions bills contributed to the larger congressional debate on the FY96 defense budget.

##### **A. BACKGROUND**

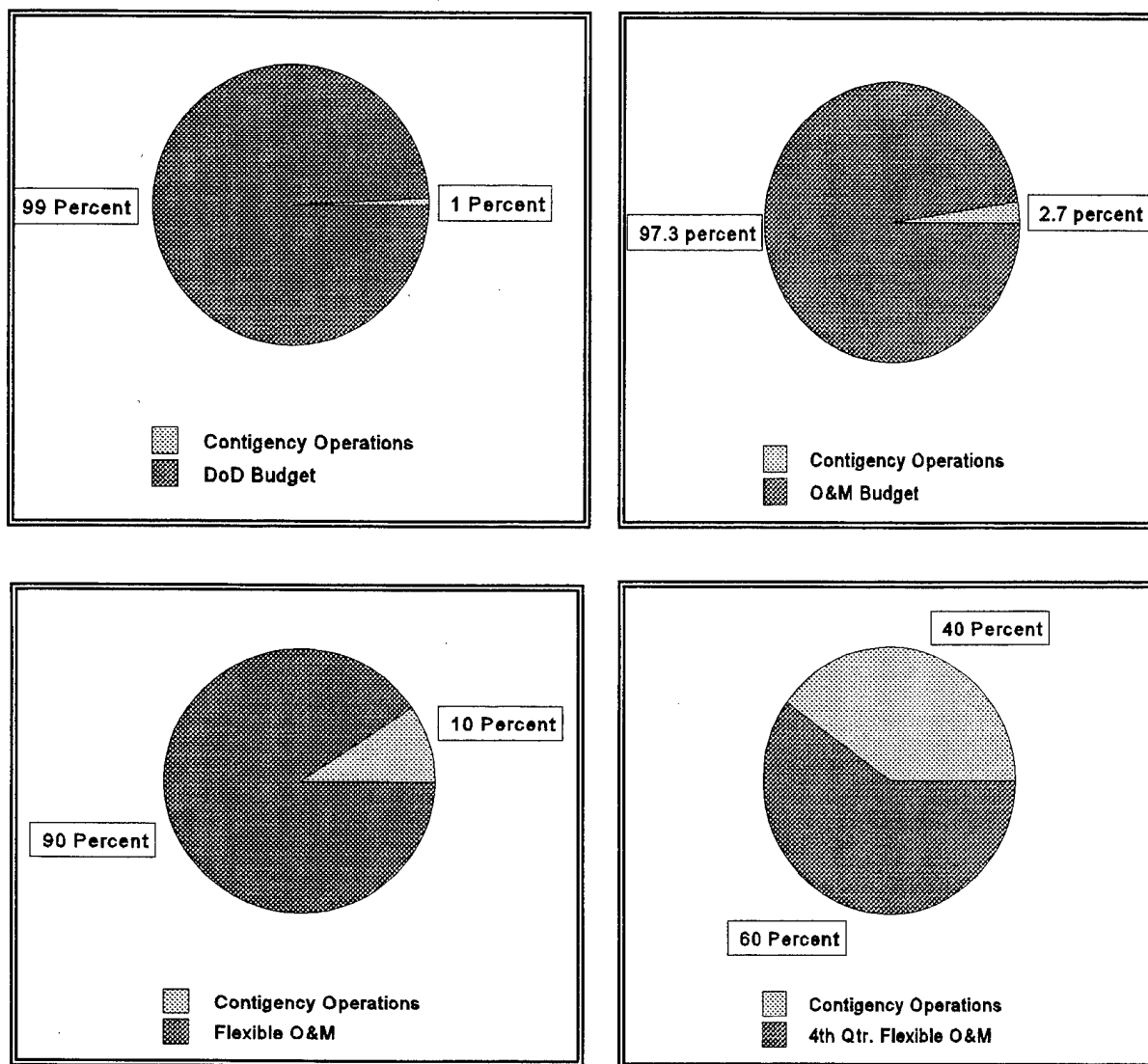
Supplemental appropriations are those additional funds provided by Congress after the normal yearly budgeting process has taken place. For defense, the DoD requests

supplemental appropriations to cover additional, unbudgeted expenses it incurred during the fiscal year which it deems too urgent to await the next year's budget. In recent years, unplanned military evolutions, normally combined under the heading of "contingency operations," have produced most of these unanticipated costs. Recent examples of contingency operations include the disaster relief efforts in Bangladesh and peace-keeping operations in Bosnia.

The military, somewhat counter-intuitively, has not historically budgeted for contingency operations (or even war, for that matter). Therefore, all expenses incurred while performing these operations must be paid for by the military out of its current budget. This, in turn, produces considerable financial strain on the military as it must short certain accounts in order to pay for the contingency operations. Recent attempts by the military to rectify the problem, by establishing a contingency operation budget, failed to garner the requisite support in Congress. [Ref. 40, p. 5] By controlling the purse strings of the DoD, Congress is able to maintain a large degree of control on the President's use of the military.

Upon surface inspection, it is difficult to understand why the military, with a FY95 budget of \$259.1 billion, would not be able to simply absorb the cost of its contingency operations. [Ref. 5, p 6] This seems especially simple as the military's FY95 request for supplemental appropriations totaled only \$2.5 billion, approximately 1 percent of its defense budget total. However, a closer examination of the way in which the military must pay for these unbudgeted operations demonstrates why contingency operations produce such a strain on the military.

Contingency operations are paid for out of the military's O&M accounts. FY95 O&M accounts represented \$90.0 billion of the \$259.1 defense budget total. The \$2.5 billion in contingency operation expenses, therefore, consumed almost 3% of this budget. However, most of the O&M accounts, such as those used to pay DoD civilian employees, cannot be tapped to fund contingency operations. Only \$26 billion of the \$90.0 billion O&M budget, the so-called flexible portion of the budget, was available for use by the military budgeters. Examined in this context, the \$2.5 billion required for contingency operations now comprised 10 percent of the available budget. The problem was further exacerbated when one considers that late in the fiscal year only a small percentage of these funds were still available for use. In the fourth quarter of FY95, the \$2.5 billion needed to pay for the contingency operations now represented 40 percent of the military's available funding. Figure 4 illustrates this concept. [Ref. 42, chart 6]



**Figure 5. FY95 Contingency Operations Costs as a Percentage of Select DoD Budgets.** From Ref. 42.

## **B. THE WHITE HOUSE REQUEST**

On 6 February, 1995, President Clinton presented Congress with a request for FY95 supplemental defense appropriations along with his FY96 budget proposal. The President requested \$2,556.7 million in supplemental appropriations to cover the costs of



contingency operations in Haiti, Rwanda, Southwest Asia, Cuba, and several other hot spots around the globe. In an effort to offset the costs of these appropriations, the White House request included \$703 million in rescissions. The Administration proposed that the supplemental appropriations be approved as emergency funding, not subject to the spending cap provisions of the Budget Enforcement Act. [Ref. 40, p. 2] DoD officials warned that if funding were not restored to the FY95 budget by 31 March, the services would begin canceling training and maintenance activity. [Ref. 41, p. 625]

### **C. HOUSE APPROPRIATIONS COMMITTEE AND HOUSE FLOOR DEBATE**

Even before the President formally requested supplemental defense funding for FY95, the House Appropriations Subcommittee on National Security began to work on the bill. Appropriations Committee members in both the House and Senate felt considerable pressure not to increase the deficit. The House Appropriations Committee's senior Democrat, David Obey, D-WI, reminded his colleagues, "this is the first actual bill that spends money that will come to the floor since the (House) passage of the Balanced Budget Amendment." [Ref. 41, p. 625]

The full House Appropriations Committee quickly passed two measures to provide both supplemental funding and offsetting rescissions. H. R. 889 provided \$3.2 billion in supplemental funds to the military, \$2.5 billion for contingency operations and an additional \$670 million in unrequested funding for short term readiness. The bill rescinded \$1.5 billion from the FY95 defense budget and earmarked \$360 million provided by Allies

for the contingency operation in Kuwait as reimbursement for the DoD. The second bill, H. R. 845, rescinded an additional \$1.4 billion in non-defense discretionary funding.

Taken together, the rescissions contained within the Committee's two bills fully offset the proposed supplemental appropriations in budget authority. Because of the slower spending rate of some of the rescinded programs, however, the bills did not fully cover the proposed outlays. [Ref. 40, p. 1]

The House Rules Committee subsequently incorporated the provisions of H. R. 845 into H. R. 899. The revised House bill, H. R. 889, therefore, contained all defense and non-defense rescissions and supplemental appropriations for FY95. Table 8 summarizes the proposed defense supplemental appropriations and rescissions under the House Appropriations Committee plan.

**Table 8. House Appropriations Committee Supplemental Appropriations and Rescissions in H. R. 889. From Ref. 40**

|  |                   |
|--|-------------------|
| <b>Supplemental Funds for Contingency Operations</b> | \$2,538.7 million |
| <b>Supplemental Funding for Enhanced Readiness</b>   | 669.7 million     |
| <b>Rescissions from DoD Funds</b>                    | -1,460.2 million  |
| <b>Rescissions from Non-Defense Funds</b>            | -1,402.1 million  |
| <b>Receipts from Allies and the United Nations</b>   | -360.0 million    |

The full House debate on H. R. 889 began on 10 February, 1995, and focused on

three major issues. The \$670 million provided for "readiness enhancement" (\$248.7 million for military pay raises and \$421.0 million for O&M) generated a quick response from OMB Director Alice Rivlin. She complained that these additional defense funds were not related to the contingency operations, and therefore, should not be categorized as emergency funding by the House. Secretary of Defense William Perry attacked the unrequested monies on the grounds that the DoD had higher priority programs to fund. He cited the unfunded pay raises for civilian DoD employees as an example.[Ref. 40, p. 5]

The \$1.4 billion of non-defense rescissions also caused a great deal of debate on the House floor. Congressman David Obey protested that the use of non-defense rescissions to pay for defense amounted to an actual increase for the defense budget. His amendment to require all the rescission dollars to come from within the DoD was rejected by the House.

The specific programs eliminated or reduced by the rescissions contained in H. R. 889 generated a large amount of debate. The proposed \$502 million rescission to the Technology Reinvestment Program (TRP), the \$80 million cut in the Nunn-Lugar program to dismantle nuclear weapons in the former Soviet Union, and the \$110 million reduction in aid for the resettlement of Russian officers, all provoked a heated response from Administration officials. They argued that the TRP provided dual-use technologies for both the private and public sector and contributed to the technological superiority of American weapons systems. Administration officials also maintained that the Nunn-Lugar program and aid for Russian officer housing constituted promises to Russian President Boris Yeltsin for American assistance moving his country toward a Democratic society.

[Ref. 40, p. 6]

Despite these protests, on 22 Feb 1995, H. R. 889 passed the House, 265-165. The only successful amendment to the House Appropriations Committee bill was the removal of supplemental funding for an \$18 million landfill in Guantanamo Bay, Cuba. After the House had passed its version of the measure, the Senate Appropriations Committee began its debate on H. R. 889.

#### **D. SENATE APPROPRIATIONS COMMITTEE AND SENATE FLOOR DEBATE**

The Senate Appropriations Committee passed its version of H. R. 889 on 2 March, 1995. The Committee approved \$1,935.4 million in supplemental appropriations (\$621.3 million less than the House-passed version). The Committee offset its supplemental appropriations by the \$297.1 million expected from the U. N. and Allies. [Ref. 40, p. 7] It contended that the funding requested by the President, but not appropriated by the Committee, was not urgently needed by the services and could be accommodated within the FY96 defense budget. [Ref. 43, p. 1034] Additionally, the Committee did not provide readiness enhancement funds and refused to designate its supplemental funds as emergency appropriations. [Ref. 40, p. 7]

The Senate Appropriations Committee rescinded \$1,963.9 million in DoD funding (\$503.7 million more than the House) and an additional \$1,536.0 million in non-defense programs (\$133.8 more than the House). However, the Committee differed from the House in the programs it rescinded. It cut \$200 million (\$302 million less than the House)

from the TRP and rejected cuts in both the Nunn-Lugar program and Russian officer resettlement program. [Ref. 40, p. 7] Table 9 summarizes the Senate Appropriations Committee's version of the bill.

**Table 9. Senate Appropriations Committee's Supplemental Appropriations and Rescissions in H. R. 889.** From Ref. 40.

|  |                   |
|--|-------------------|
| <b>Supplemental Funds for Contingency Operations</b> | \$1,935.4 million |
| <b>Rescissions from DoD</b>                          | -1,963.9 million  |
| <b>Rescissions from Non-Defense Funds</b>            | - 1,536.0 million |

Senate Floor debate on H. R. 889 began on 7 March, but other legislation delayed the bills' passage until March 16. Although the Senate generally expressed support for the bill, Senators Daniel Inouye, D-HI, and Sam Nunn, D-GA, noted that fully offsetting defense supplemental appropriations with cuts in defense might set a dangerous precedent. They argued, "In the future... senior officers may be reluctant to support the use of U. S. Forces... because the costs of any action will have to be offset by reductions in current programs." [Ref. 40, p. 10]

An amendment offered by Senator McCain to bring the Senate's \$200 million TRP rescission in line with the House's \$502 million cut failed, 22-77. Other amendments, however, were more successful. Most of the amendments to H. R. 889 simply substituted rescissions in favored programs with cuts in other programs with less support. Other amendments to the measure included a controversial rescission in funding for the

enforcement of the Endangered Species Act and a restriction on civil nuclear cooperation with Russia unless it halted sales of nuclear reactor components to Iran. H. R. 889 easily passed the Senate by a vote of 97-3. [Ref. 40, p. 11]

#### **E. CONFERENCE COMMITTEE ACTION**

The House and Senate Conference Committee achieved a compromise which satisfied both defense and deficit hawks. The conference agreement provided for the full \$2.5 billion supplemental defense appropriation, plus an additional \$561 million readiness enhancement to cover military pay raises. Contributions from the U. N. and Allies remained earmarked for defense coffers. [Ref. 43, p. 1034]

The rescissions contained within the compromise bill, however, did more than offset the supplemental appropriations. The Committee rescinded \$2.36 billion from the DoD, including \$300 million from TRP and \$20 million from the Nunn-Lugar program. The conference agreement also provided for \$1.12 billion in cuts to non-defense programs. Taken together, the supplemental appropriations and offsetting rescissions produced a net \$746 million reduction in the FY95 budget. Table 10 summarizes the conference agreement. [Ref. 43, p. 1035]

**Table 10. Summary of Conference Agreement on H. R. 889.** From Ref. 43.

|  |                     |
|--|---------------------|
| <b>Supplemental Funds for Contingency Operations</b> | \$2.48 billion      |
| <b>Supplemental Funds for Readiness Enhancement</b>  | 561 million         |
| <b>Receipts from Allies and U. N.</b>                | -297 million        |
| <b>Rescissions from DoD</b>                          | -2.36 billion       |
| <b>Rescissions from Non-Defense Programs</b>         | -1.12 billion       |
| <b>Total</b>   | <b>-746 million</b> |

On April 6th, 1995, H. R. 889 quickly passed the House, 343-80. The same day, the Senate passed the measure on a voice vote. Despite reservations, the President signed the bill into law on 10 April, 1995. [Ref. 5, p. 15]

The debate on the FY95 defense supplemental appropriations and rescissions bill provided early insight into many of the issues which would later dominate the FY96 defense budget debate. It showcased the early sparing over defense spending between deficit hawks and defense hawks. The bill demonstrated the level of support the defense hawks could expect within each house of Congress. Lastly, the defense supplemental appropriations and rescissions bill served as a interesting prelude to the larger debate on spending programs and policies within the FY96 defense bills.





## **V. CONGRESSIONAL FORMULATION OF THE FY96 DEFENSE AUTHORIZATION AND APPROPRIATIONS BILLS**

This chapter examines the evolution of the FY96 defense authorization and appropriations bills within Congress following the conclusion of the defense debate during the formulation of the budget resolution. It begins its chronology in May with debate in the House and Senate on the authorization bills in committee. The chapter tracks the House and Senate authorization and appropriations bills through the defense committees, on the House and Senate floor, and in the conference committees. It examines several of the major issues which fueled the defense debate and analyzes the compromises associated with the passage of the legislation.

### **A. FY96 AUTHORIZATION BILL**

#### **1. House National Security Committee Action**

Even before the House and Senate finalized their FY96 budget resolution and provided a topline spending figure for defense, the House National Security Committee (HNSC) was already busy formulating its FY96 defense authorization bill. The Committee's bill (H. R. 1530) authorized \$267.3 billion in FY96 budget authority, \$9.5 billion more than the President's request. [Ref. 44, p. 1519] The bulk of the additional monies provided by the Committee funded either additional weapons procurement or sped up current weapons development. Overall, the Committee provided an additional \$4.4 billion for procurement, \$1.6 billion for RDT&E, \$2.8 billion for O&M, \$255 million for

military personnel, and \$600 million for military construction and family housing. [Ref. 23, p. 1662] Table 11 details the major procurement programs added by the HNSC to the President's defense budget request.

**Table 11. Major Additional Procurement Programs Funded by the HNSC.** From Ref. 23.

|  |               |
|--|---------------|
| Marine Amphibious Landing Ship (LPD-17)  | \$974 million |
| Additional Theater Missile Defense Funds | \$763 million |
| 2 "Roll-on, Roll-off" Cargo Ships        | \$600 million |
| 6 F-15s, 6 F-16s, and AV-8B Upgrades     | \$585 million |
| Components for 2 B-2s                    | \$553 million |
| Commanche Helicopter Development         | \$100 million |

Surprisingly, the Committee also provided additional funds to slow the decline in the size of the force structure. The \$112 million in military personnel funds added by the Committee would allow the Secretary of Defense to keep an additional 7,500 military personnel on duty. The Committee cited certain units where there had been a "particularly heavy demand in recent years, such as Patriot missile crews and AWACS airborne radar operators." [Ref. 23, p. 1664]

The HNSC, however, cut as well as added programs from the President's request. The Committee deleted \$1.5 billion to finance a third *Seawolf*-class submarine. Instead, it provided \$550 million to lengthen the second *Seawolf*-class submarine and an additional \$300 million in smaller construction projects designed to keep Electric Boat, the

submarine's builder, in business. [Ref. 23, p. 1662] The HNSC also cut \$171 million from the President's \$371 million request for the Nunn-Lugar program and canceled funding entirely for the TRP. [Ref. 44, p. 1519]

The Committee proposed changes to other military related, but socially contentious issues. One provision of the defense bill would require HIV infected military personnel be discharged from the service. Supporters of the provision argued that because HIV infected personnel cannot be deployed, operational readiness is affected as healthy military members must spend more time at sea or stationed overseas. Critics charged that the measure was punitive in nature and that HIV infected personnel "did not present an adverse affect on military readiness." [Ref. 44, p. 1522]

The HNSC also sought to revive the ban on abortions performed overseas for female service members and dependents. Although the provision affected only a small number of women each year, supporters of the measure hoped to use the proposal to advance their position in the larger congressional abortion debate. Critics of the measure charged that the bill denied women stationed overseas the same rights as those within the United States. [Ref. 44, p. 1522]

On 24 May 1995, despite several contentious issues, the defense authorization bill passed the HNSC with wide spread support, 48-3. Only isolated, but vocal critics of the measure such as Congressman Ronald Dellums voiced objections. Most Committee members realized, however, that the spending programs and policy issues contained in the bill would likely provoke considerable debate on the House floor. [Ref. 23, p. 1659]

## **2. House Floor Debate**

On 15 June 1995, the House easily passed its version of the defense authorization bill on a 300-126 vote. The bill authorized \$267.3 billion in budget authority for defense in FY96, approximately four percent above the President's request. [Ref. 45, p. 1755] Additional funding for two programs dominated much of the House debate.

Congressmen John Kasich and Ronald Dellums led the effort to kill the funding for additional B-2 bomber production and cap the bomber fleet at 20 aircraft. The B-2's prime contractor, Northrop-Grumman, offered to sell the Air Force an additional 20 planes at a cost of \$11 billion. Critics of the plan, however, charged that the total cost of the aircraft was likely to be \$20 billion plus an additional \$11 billion to operate them for 20 years. Congressman Dellums argued that "precision guided munitions put more munitions on target at less risk... and at a cheaper cost" than the B-2. [Ref. 45, p. 1755] An amendment to kill additional B-2 funding was defeated narrowly on a 203-219 vote. [Ref. 45, p 1757]

Democrats also attacked the additional funding for theater missile defense (TMD) on both funding and policy grounds. At the heart of the TMD debate was the concern that the additional funding might violate tenets of the 1972 Anti-Ballistic Missile (ABM) Treaty signed by the United States and the former Soviet Union. Congressman John Spratt, D-S.C., believed that the program jeopardized the Russian parliament's ratification of the START II Treaty to eliminate 5,000 nuclear warheads. He argued, "We cannot build a missile defense that will effectively shoot down so many Russian missiles... so cheaply as the ratification of START II, why put it in jeopardy?" [Ref. 45, p. 1757]

However, supporters of the TMD program such as Congressman Duncan Hunter, R-CA, argued that “ the problem is that we made that (ABM) treaty with one other nation. Today there are dozens of nations who never signed it who are developing missiles.” [Ref. 45, p. 1757] Congressman Spratt’s amendment to kill the additional TMD funding failed, 185-242. [Ref. 45, p. 1757]

The House amended the HNSC’s bill to link the \$200 million provided for the Nunn-Lugar program to presidential verification that Russia had terminated its biological weapons program. The House also adopted the so-called burden sharing amendment designed make U. S. allies pay for the most of the cost of stationing U. S. troops on their soil by the end of the decade. It also deleted a \$50 million nuclear reactor which had been targeted by a taxpayer lobby. [Re. 45, p. 1757] While the House was voting on the defense authorization bill, the Senate Armed Services Committee was beginning deliberation on its version of the bill.

### **3. Senate Armed Services Committee Action**

On 29 June 1995, the Senate Armed Services Committee (SASC) approved its version of the FY96 defense authorization bill (S 1026), 18-3. The measure authorized \$264.7 billion for defense, \$7 billion more than the President’s request and the maximum allowed under the recently adopted concurrent resolution on the budget. [Ref. 46, p. 1942] Overall, the SASC’s authorization bill added \$5,291 million for procurement, \$1,668 million for RDT&E, and \$200 million to military personnel. [Ref. 47, p. 2286] It reduced, however, the O&M account by \$211 million from the President’s request. While

most of the funds added by the defense authorization committees in both the House and Senate went for additional weapons procurement, the committees sharply split over the specific weapons programs to fund. [Ref. 46, p. 1942]

Unlike the House, the SASC approved the President's \$1.5 billion request for a third *Seawolf*-class submarine. Interestingly, the Committee waived the full-funding requirement for the submarine's purchase. The Committee also approved a \$1.3 billion Marine helicopter assault ship (LHD-7) and rejected the House's LPD-17. Table 12 details the major procurement programs added by the SASC to the President's request. [Ref. 47, pp. 2285-2291]

**Table 12. Major Additional Procurement Programs Funded by the SASC.** From Ref. 47.

|  |               |
|--|---------------|
| Marine Helicopter Assault Ship (LHD-7)   | \$1.3 billion |
| 12 Navy F/A-18s                          | \$650 million |
| Additional Theater Missile Defense Funds | \$770 million |
| 2 Navy destroyers (partial payment)      | \$650 million |
| AV-8B upgrades                           | \$270 million |
| Commanche Development                    | \$174 million |
| JAST program                             | \$175 million |

The SASC broke with the House and authorized \$238 million for the TRP and \$365 million of the \$371 million requested for the Nunn-Lugar program. The Committee also authorized \$125 million to fund anticipated contingency operations in FY96. While the \$125 million fell far short of the \$1.2 billion request, it did mark the first time the

Committee authorized funds for contingency operations before the expenses from the contingency operations were incurred. [Ref. 47, p. 2290]

While the SASC authorized additional funds for several major programs it also cut funding for other high-visibility procurement programs. Most notably, the Committee rejected funding for the B-2, additional F-15s and F-16s, and the Marine LPD-17.

Although the SASC's Subcommittee on Strategic Forces recommended adding \$500 million to purchase B-2 components for additional B-2 production, the full Committee rejected the recommendation, 13-8. [Ref. 46, p. 1942]

The SASC made smaller cuts in funding authorization for U. N. operations, humanitarian assistance, and other non-defense programs contained within the defense budget. The expected windfall from the elimination of these programs proved elusive. For example, the Committee cut only \$20 million of the \$1.2 billion budget request for environmental programs. [Ref. 47, p. 2291]

The SASC demonstrated a preference "for weapons over treaties" in the formulation of its authorization bill. [Ref. 47, p. 2285] The Committee added to the authorization bill a "non-binding provision declaring it be the U. S. policy to deploy by 2003 an anti-missile system located at more than one U. S. site." [Ref. 46, p. 1942] Senate critics charged that the provision would goad Russia into a more confrontational stance on a range of issues. The Committee also ordered the Energy Department to conduct small "sub-nuclear" test explosions to ensure that aging U. S. nuclear weapons had not lost their punch. [Ref. 47, p.2285] Critics of the provision claimed the measure would undermine efforts to conclude a multi-lateral treaty banning nuclear test explosions.

Overall, the SASC's FY96 defense authorization bill would "robust up the administration's program, rather than launch a dramatic multi-year program that could fall by the wayside." [Ref. 47, p.2285] Reservations about support for the measure in the full Senate tempered the SASC's enthusiasm for bolstering defense.

#### **4. Senate Floor Debate**

On 6 September 1995, the Senate passed its version of the FY96 defense authorization bill, 64-34, following nearly a month of heated debate and tense negotiations. The Senate measure authorized \$265.3 billion for defense, slightly more than the SASC's bill. The measure passed only after Senate Republicans and Democrats reached a compromise on the proposed anti-missile defense system. [Ref. 48, p. 2731]

Disagreement over language in the Senate authorization bill regarding the deployment of a anti-missile defense system provided the largest stumbling block to the bill's passage. The original SASC bill mandated deployment of a multi-site anti-missile defense system by the year 2003. Critics within both the Senate and Clinton Administration immediately attacked the plan. President Clinton's National Security Advisor, Anthony Lake, in a letter to the Senate, wrote that he and other presidential advisors would recommend that the President veto the authorization bill unless the unacceptable portions of the missile defense provisions were removed. [Ref. 49, p. 2380] Critics within the Senate called the system unnecessarily provocative toward Russia and threatened a filibuster. [Ref. 48, p. 2731]



Supporters of the anti-missile defense system believed the system would prevent rogue nations from attacking the United States or blackmailing it with weapons of mass destruction. Supporters noted that the measure did not violate the ABM Treaty with Russia as the Treaty covered only provisions for defense against strategic missiles. The Treaty did not, however, define the term strategic missile. The distinction used in the bill defined strategic missiles as those with a range of greater than 3500 kilometers and a top speed of greater than five kilometers per second. The proposed anti-missile system protected only against shorter range theater ballistic missiles. [Ref. 50, p. 2453] Senator Warner commented that the reason the Republicans sought to put the proposal into law was "to prevent the Clinton administration from making the Anti-Ballistic Missile Treaty, in effect, a theater missile defense treaty." [Ref. 49, p. 2382]

After lengthy negotiations, Senator William Cohen, R-ME, proposed a successful compromise measure to end the debate. His amendment expressed the Sense of Congress that the multi-site deployment policy of the anti-missile defense system could be carried out without violating the ABM Treaty. The amendment revised the *mandatory* deployment of the system by 2003 to merely the *capability* to deploy the system by 2003. Additionally, the amendment required congressional approval of the system as both "affordable and operationally effective" before being fielded. The Senate agreed to the amendment 85-13. [Ref. 50, p. 2453]

In large, the Senate adopted the recommendations contained within the SASC bill. The Senate did, however, increase overall defense funding. Small programs, favored by individual members, found their way back into the defense budget. Although opposed by

most Democrats, the Senate also retained the \$50 million program to fund small scale nuclear testing. While the authorization bill's passage marked another milestone in the Republican's efforts to increase defense spending, the large disparity between the House and Senate versions of the defense bill, as well the continued threat of eventually veto by the President, remained. [Ref. 48, p. 2733]

## **5. Early Conference Committee Debate**

The authorization conference began on 7 September 1995 with the two congressional houses deeply divided on both policy and spending issues. Differences over abortion and theater missile defense dominated most of the early debate. As an agreement between the conferees proved elusive and the months wore on, the relevancy of the defense authorization process was called into question. [Ref. 51, p. 7]

Conference committee members split sharply over several spending issues. As the debate over spending levels heated up, the rhetoric between the congressional houses intensified. For example, the House voted 415-2, to instruct its conferees to stick by its \$94.7 billion O&M funding total and reject the Senate's level of \$91.7 billion. [Ref. 52, p. 2926] In the Senate, conference member Senator Sam Nunn responded that unless the Senate's language on theater missile defense was adopted, the conference would end. As the authorization debate wore on with little progress, committee members and staffers expressed frustration and despair. [Ref. 51, p. 7]

Blame for the indecision focussed largely on the authorization Committee chairmen, Senator Strom Thurmond and Congressman Floyd Spence. Critics charged that

the two relied largely on their inexperienced staffers to drive the process to conclusion. Several conference members expressed their displeasure with the lack of a conference agreement. "It's very embarrassing," commented Senator John McCain. He noted that defense appropriators had become the ones setting defense policy as a consequence. [Ref. 51, p. 7] The conferees failure to reach a compromise on the authorization bill would mark the first time since the establishment of the Committee in 1961 that authorizers failed to reach an agreement. While the conferees eventually did reach an agreement (discussed in chapter 6), the government shutdown briefly interrupted the defense debate.

By late September, only two of the thirteen annual appropriations bills had been approved by Congress and signed into law by the President. To keep the government functioning after the start of the new fiscal year, the President and congressional leadership negotiated a 44 day continuing resolution (CR). [Ref. 53, p. 3439] In the additional time provided by the CR, Congress and the President hoped to work out their differences and come to an agreement on the FY96 spending measures. However, by 13 November 1995, the day the CR expired, no additional appropriation bills had been signed into law. Without any spending authority, most government departments curtailed all but their most essential activities. The DoD, lacking an appropriations bill, adopted emergency measures to enable it to function. Chapter VI discusses the details of DoD spending under the CR. [Ref. 54, p. 3440]

During the formulation of the annual defense budget bills, the defense authorization process normally precedes the development of the defense appropriations bill. The preparation of FY96 defense budget, however, proved highly unusual in that the

defense appropriations process concluded before the defense authorization bill had been signed into law. Because of this, this chapter temporarily leaves the defense authorization debate and takes up the defense appropriations bill. Chapter 6 returns to the defense authorization debate.

## **B. FY96 APPROPRIATIONS BILL**

### **1. House Appropriations Committee Action**

The House Appropriations Committee's FY96 defense appropriations bill (H. R. 2126), as expected, closely resembled the House's FY96 defense authorization bill. The Committee approved the \$244 billion measure on a voice vote on 25 July 1995. The bill added \$7.78 billion to the President's defense budget request. Although the bill closely resembled the House authorization bill passed a month and a half earlier, it provided yet another opportunity for both supporters and critics of the various provisions contained within the measure another chance to affect defense legislation. [Ref. 55, p. 2292]

Almost three-quarters of the \$7.78 billion added by the Committee went to fund additional weapons procurement and RDT&E. The House Committee's bill faulted the Clinton defense plan, claiming it was "heavily weighted toward maintaining current readiness. . . at the expense of necessary modernization and development." [Ref. 55, p. 2292] Still, the bill did provide \$784 million in additional O&M funds. It did not, however, fund the additional 7,500 personnel contained in the military personnel account of the authorization bill. [Ref. 55, p. 2294]

The Committee appropriated an additional \$600 million for TMD, \$540 for B-2

components, and most of the other major programs contained within the authorization bill. Curiously, the Committee also funded a handful of programs not contained in the authorization bill such as six additional AH-1 helicopters provided to the Marine Corps. Still, while the majority of programs funded through the appropriations bill could be found in the authorization legislation, the House Appropriations Committee did include several new provisions in its legislation to address the budget problems caused by contingency operations. [Ref. 55, pp. 2294-2295]

The Committee added \$647 million to the President's defense budget request in order to cover the cost of two long running contingency operations in Iraq. Both Operation Provide Comfort in Northern Iraq and Southern Watch in Southern Iraq had been underway for over four years and showed no signs of ending anytime soon. The Pentagon contended, however, that it was too difficult to predict when the end of these operations might occur and, therefore, that it was impossible to budget for them. The Committee rejected the Pentagon's argument and stipulated that the use of the additional funds provided by the Committee would be contingent upon the Pentagon budgeting for these operations in its FY97 budget request. [Ref. 55, p. 2294]

## **2. House Floor Debate**

On 7 September 1995, the House passed the FY96 defense appropriations bill (H. R. 2126), 294-125. The \$244 billion spending measure passed the House largely unscathed. Except for the sharp divide within the House over the B-2, social and political issues contained within the measure dominated most of the House debate. [Ref. 56, p.

The narrow 16 vote margin which ensured the B-2's inclusion in the FY96 defense authorization bill seemed ripe for attack by critics of the program. Led by Congressman Ronald Dellums, John Kasich, and Republican freshman, Mark Neumann, R-WI, critics of additional B-2 funding mounted a concerted effort to kill the appropriation provision for the program. Despite intense lobbying, their amendment to eliminate funding for the B-2 failed on a close 210-213 vote. [Ref. 56, p. 2229]

The abortion issue figured prominently in the House floor debate on the defense appropriations bill as well as the authorization bill. Congressman Robert Dornan successfully added an amendment to the Committee bill which prohibited abortions at overseas military bases. After heated floor debate, Congresswoman Rosa DeLauro, D-CT, and a coalition of other Democratic women failed to overturn the measure. Their amendment failed in a 194-224 vote. [Ref. 56, p. 2728]

Congressman Mark Neumann sponsored an amendment to deny funds for U. S. troop deployments to Bosnia unless the President received prior approval from Congress. The White House attacked this amendment as undermining the power of the President to function as the commander-in-chief. While Congressman Neumann acknowledged the right of the President to deploy troops, he believed that since the Congress controlled the purse strings, it should be consulted before the President dispatched troops to this troubled region. [Ref. 56, p. 2730]

Congressman John Murtha, D-PA, the ranking minority member of the House Appropriations National Security Subcommittee, convinced Congressman Neumann that

the President should not have to seek congressional approval to use American forces to evacuate U. S. allies serving as peace-keepers in Bosnia. The House adopted the modified Neumann amendment on a voice vote. Congressional concern over the President's use of American troops in the Balkans foreshadowed a major showdown with the President in the months ahead. [Ref. 56, p. 2730]

### **3. Senate Appropriations Committee Action**

On 28 July 1995, three days after the House Appropriations Committee approved its FY96 defense appropriations legislation, the Senate Appropriations Committee passed its version of the bill (S 1087) unanimously, 28-0. The \$242.7 billion defense bill added \$6.4 billion to the President's FY96 defense budget proposal. The Senate Appropriations Committee's action came two days after its Subcommittee on Defense approved the bill on a voice vote with "little debate, and several statements about the need to stem the tide of deep reduction in military spending and preserve the defense industrial base." [Ref. 56, p. 2295]

Notably, the Committee provided no additional funds for B-2 production or peacekeeping operations. Instead, the bill provided for additional F-15, F-16, and C-17 aircraft production and funded the third *Seawolf*-class submarine. The Committee rejected steps taken by House authorizers to partially fund two additional Aegis destroyers and provided \$3.6 billion (\$1.4 billion more than requested) for a total of four ships. [Ref. 56, p. 2295]

Several Senators on the Committee questioned the wisdom of not funding the

peacekeeping operations. Senator Frank Lautenberg, D-NJ, led an effort to prevent the inevitable request by the military for supplemental appropriations by funding the known contingency operations in advance. He noted that the emergency funding designation usually given to defense supplemental appropriations risked increasing the federal deficit. The Chairman of the Senate Appropriations Committee's Subcommittee on Defense, Senator Ted Stevens, R-AK, acknowledged the problem created by the contingency operations but did not support the provision. [Ref. 55, p. 2295]

#### **4. Senate Floor Debate**

The Senate completed work on its version of the FY96 defense appropriations bill (S 1087) on 5 September 1995. The Senate approved the measure on a 62-35 vote along party lines. Four Republican senators, including Senator John McCain, joined 31 Democrats in opposing the legislation. Senator McCain cited the numerous unrequested "pork" projects added to the bill for his "nay" vote. While the Senate's version of the FY96 defense appropriations bill did not comply with the President's request, it was more palatable to the administration than the House's version of the bill. [Ref. 57, p. 2732]

The Senate enacted no significant changes to the Senate Appropriations Committee's bill. Senator John McCain's amendment to remove \$365 million in unrequested projects failed on a voice vote. The administration, however, voiced its concern that the unrequested additions to several defense programs would force a funding dilemma down the road. Pentagon Comptroller, John Hamre, commented that "the pressure to put all the additional things [in the defense budget] will still be in force [even



if] the top line comes down.” [Ref. 57, p. 2732]

## **5. Conference Committee Action**

House and Senate negotiators reached an agreement on the FY96 defense appropriations bill (H. R. 2126) on 22 September 1995. The bill’s \$243.04 billion conformed to the revised budget allocation provided to the conferees in the midst of its negotiations. The compromise bill provided the Pentagon \$868 million less than the House measure and \$556 more than the Senate version of the bill. Still, the crux of the negotiations seemed to be how much funding Congress could add to the defense budget without drawing a presidential veto. [Ref. 58, 2926]

When confronted with difficult choices between major defense programs, the Committee usually opted for a compromise which ensured the funding of both programs. The Committee approved both the additional \$493 million for continued B-2 production and \$700 million for partial payment on the third *Seawolf*-class submarine. The Committee’s compromise plan included an additional \$470 million for F-15 and F-16 production as well as full funding for both the LHD-7 and the LPD-17 amphibious ships. The Committee also funded \$195 of the requested \$500 million for TRP and \$300 million of the requested \$371 Nunn-Lugar program. [ Ref. 58, p. 2726]

The Conference Committee watered down the House provision barring abortions at military hospitals overseas. The Committee’s compromise tied the adoption of the ban on military abortions abroad to the enactment of a similar ban contained in the FY96 defense authorization bill. The Committee also revised the House provision preventing

the President from deploying American forces to Bosnia without congressional consent to a non-binding provision expressing the sense of Congress. Table 13 details the funding differences between the President's request, House and Senate bills, and the conference agreement. [Ref. 59, p. 3015]

**Table 13. Comparison of Funding Totals for FY96 Defense Appropriations (In Millions of Dollars). From Ref. 59.**

|                    | Clinton Request  | House Bill       | Senate Bill      | Conference Report |
|--------------------|------------------|------------------|------------------|-------------------|
| Military Personnel | \$68,670         | \$69,232         | \$68,881         | \$69,054          |
| O&M                | \$80,800         | \$81,484         | \$79,941         | \$81,553          |
| Procurement        | \$38,662         | \$42,876         | \$44,461         | \$44,089          |
| RDT&E              | \$34,332         | \$35,880         | \$35,474         | \$36,430          |
| Other              | \$322            | \$277            | \$344            | \$337             |
| Total              | <b>\$236,344</b> | <b>\$243,998</b> | <b>\$242,684</b> | <b>\$243,251</b>  |

## **6. House Rejection of the Conference Agreement**

On 29 September 1995, the House soundly rejected the Conference Committee FY96 defense appropriations bill. The House killed the measure on a 151-267 vote. As expected, most Democrats voted against the spending measure. Surprisingly, however, nearly two-thirds of the House Republicans also voted "nay." GOP opposition to the bill centered on the measure's abortion compromise. [Ref. 59, p. 3013]

Led by Congressmen, Christopher Smith, R-NJ, Robert Dornan, R-CA, and Henry Hyde, R-IL, House conservatives attacked the bill they claimed had been gutted in an attempt to appease the White House. Because the ban on abortions in the defense

appropriations bill hinged upon the enactment of a similar provision within the defense authorization bill, most Republicans believed the provision would never become law. The stalled defense authorization bill threatened to make the abortion provision in the defense appropriations bill meaningless. Despite the vehement protests of House Appropriations Committee Chairman, Congressman Robert Livingston, R-LA, most Republicans remained steadfast in their opposition to the measure. Congressman Robert Dornan insisted that the abortion issue was too important to subordinate to other defense concerns. [Ref. 59, p. 3013]

At this juncture of the debate, the defense hawks' prospects of gaining increased funding for defense seemed dim. In addition to the bill's problems within Congress, the measure seemed to be in jeopardy of a White House veto. In a letter to the Speaker of the House dated 29 September 1995, OMB Director Alice Rivlin wrote that the administration "simply cannot allocate nearly \$7 billion more for defense" while other programs went underfunded. Soundly defeated, the House sent the defense appropriations bill back to conference. [Ref. 59, p. 3013]

## **7. Conference Committee Action Part II**

Because of the rejection of the FY96 defense appropriations bill by the House, House and Senate negotiators reconvened to rework the measure. Compromise between House and Senate negotiators on the abortion issue, however, proved elusive. House conferees proposed to resolve the debate by flying women at overseas bases back to the United States so they could obtain abortions at private hospitals. Senate negotiators

rejected this proposal. They countered with a proposal to simply bar the use of federal funds to perform abortions overseas unless the women's life was at stake or in cases of rape or incest. [Ref. 61, p. 3550]

House negotiators opposed the Senate provision on the grounds that women intent on having an abortions would produce spurious claims of rape or incest. House conferees sought to allow abortions in case of rape or incest only if the women reported the crime to military authorities. Calling the House provision an "insult to women," Senate negotiators rejected the House demands and offered to include instead the so-called Hyde language. [Ref. 61, p. 3550]

The Hyde language, included in other appropriations measures, allowed privately funded abortions overseas in cases of rape or incest, as well as to save the life of the mother. It omitted the requirement that the women report the rape or incest to military authorities. House negotiators accepted this compromise language and most GOP abortion-opponents in the House voted for this version of the bill. [Ref. 61, p. 3550]

In addition to new abortion language, the new conference report transferred \$137 million from various RDT&E programs to the Army's military personnel accounts. It also provided \$2.2 billion to build three Aegis destroyers instead of the two destroyers funded at the same amount. A last minute addition by the conferees added a \$13.6 million research grant to the National Center for Advanced Technologies. [Ref. 60, p.3]

Following a month of tense negotiations, the conferees reached a compromise they believed would be acceptable to both houses of Congress. Both the House and Senate approved this amended conference agreement on 16 November, 1995, on votes of

270-158 and 59-39, respectively. [Ref. 60, p. 3] Despite congressional approval of the FY96 defense appropriations bill, Democrats predicted a presidential veto. The end of the 44 day CR and the congressional turmoil which followed provided a brief lull in the debate over the defense bills. [Ref. 60, p. 3]



## **VI. CONCLUSION OF THE FY96 DEFENSE AUTHORIZATION AND APPROPRIATIONS BILL DEBATE**

This chapter continues the examination of the evolution of the FY96 defense authorization and appropriations bills. It resumes its chronology in October during which the government functioned under a continuing resolution (CR) enacted to enable the government to operate after the start of the new fiscal year. This chapter examines defense spending during the first CR, the six day funding gap, the second CR, and the third CR during which the President signed the FY96 defense appropriations bill into law. The chapter then resumes the defense authorization debate in Congress. It tracks the debate on the defense authorization legislation on the House and Senate floor and with the White House. It records the compromises enacted by Congress to gain the President's signature and complete action on defense funding legislation for FY96.

### **A. DEFENSE SPENDING UNDER THE FY96 CONTINUING RESOLUTIONS AND FUNDING GAP**

Continuing resolutions provide temporary funding for federal agencies until their regular appropriations for the fiscal year are enacted. [Ref. 62, p. 1] Continuing resolutions are not a new government phenomenon. The government enacted continuing resolutions in 13 of the past 15 years prior to FY96. In late September 1995, senior congressional leaders and the White House produced compromise legislation to enable the federal government to continue to function while they worked to pass the eleven remaining FY96 appropriations bills. [Ref. 54, p. 3440] This CR gave Congress and the President an additional 44 days, until 13 November 1995, to work out their differences.

Because the FY96 defense appropriations bill had not been signed by the President by 1 October 1995, it also fell under the spending controls of the first CR.

### **1. The First FY96 Continuing Resolution**

The stated goal of the authors of the first FY96 CR (PL 104-31) was to provide Congress and the President additional time to work out their differences on the eleven remaining FY96 appropriations bills. The first CR did little to force the President's hand on other larger budget issues. The CR provided funding authorization and established spending restrictions for the DoD during this six-week time frame. [Ref. 62, p. 3442]

The first CR authorized continued funding for those defense programs found in the previous year's defense appropriations bill and included in both versions of the House and Senate FY96 defense appropriations bills. If there were differences in the funding levels in these bills, the CR prescribed spending at the lowest of these three amounts. The military personnel accounts, most O&M accounts, and established RDT&E and procurement programs continued to receive their funding under this provision of the CR. [Ref. 63, p. 279]

Defense programs, included in only one version of the House or Senate bill and not requested by the President, received funding at half the rate established by that house. The first CR also prohibited the DoD from initiating new programs, that is, programs not found in previous defense bills. This provision delayed construction on the LPD-17 and other major new procurement programs added by Congress. If Congress did not include in its bills an established defense program requested by the President, that program



continued to be funded at 90 percent of its FY95 rate. Several small environmental programs which Congress removed from its versions of the FY96 defense appropriations bill continued to receive funding under this provision. [Ref. 63, p. 280]

Any defense spending conducted during the CR counted against that defense program's spending total for the fiscal year. In other words, the money provided by the CR did not increase the total amount of funding available to the DoD. Likewise, if a provision of the CR initially denied or reduced funding for a particular defense program, the approved program recovered its lost funding once the President signed the defense appropriations bill into law. [Ref. 63, p. 280]

By the end of the grace period provided by the first CR, Congress and the President still had not resolved their differences on the eleven remaining FY96 appropriations bills or the FY96 reconciliation bill. In order to stave off a government shutdown, a second CR needed quick approval. Applying more pressure during these negotiations, the GOP-controlled Congress included a provision in the second CR which mandated the enactment of a seven year balanced budget using numbers scored by CBO. President Clinton initially balked at the provision and refused to sign the second CR. With neither the President nor Congress willing to blink in their budget showdown, most agencies in the government shut down all but their most essential operations. [Ref. 62, p. 3442]

## **2. The Six-Day Funding Gap**

Lack of either an appropriations bill or a CR forced the first government shut

down since President Bush faced off with Congress in 1990. [Ref. 64, p. 5] The Republicans remained adamant in their demand for a seven year balanced budget, but the President refused to make the cuts necessary in several entitlement programs to bring about the required reductions. For the DoD, the shut down did not affect most military members. They remained on duty and continued to receive their pay. Most DoD-civilians, however, were temporarily furloughed during the funding gap.

On 19 November 1995, after six days of government standstill and tense negotiations, Congress and the President compromised on the language included in the second CR. The second CR enabled the government to temporarily reopen those agencies shut down by the funding gap. It also gave Congress and the President more time to negotiate on the larger budget issues.

### **3. The Second FY96 Continuing Resolution**

The second FY96 CR (PL 104-54) provided Congress and the President the one day they needed to complete the third FY96 CR. The second CR allowed the government to reopen on 20 November 1995 while final preparations went ahead on the signature of a third CR. Most spending provisions in the second CR mirrored those from the first. [Ref. 65, p. 540]

The only notable difference in the second FY96 CR was the reduced funding provisions on certain programs. Under this new provision, programs not included in the congressional appropriations bills, but requested by the President, received 75 percent of their FY95 funding. The second CR expired on 20 November 1995 but gave Congress

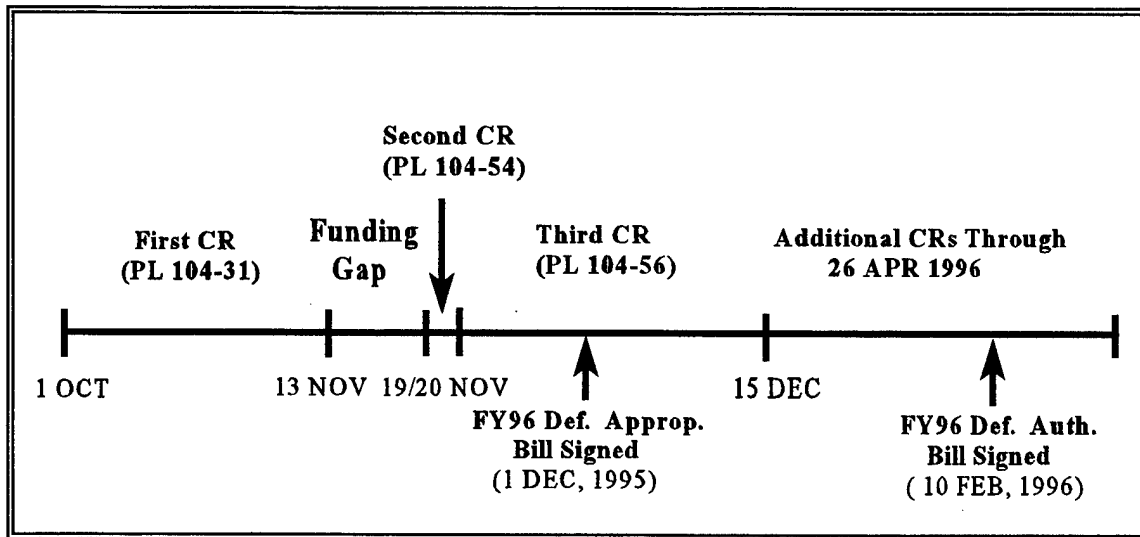
and the White House enough time to enact a third CR. [Ref. 65, p. 543]

#### **4. The Third FY96 Continuing Resolution**

The third FY96 CR (PL 104-56) extended the government's spending authority until 15 December 1995. Because the President signed the FY96 defense appropriations bill into law on 1 December 1995, this was the last CR to affect defense spending in FY96. The third CR resembled the second CR with two notable exemptions. [Ref. 66, p. 553]

The third CR mandated the enactment of a CBO-scored, seven year balanced budget while protecting "future generations" by ensuring "the solvency of Medicare, welfare reform," and providing "adequate funding for Medicaid, education, agriculture, national defense, veterans, and the environment." [Ref. 66, p. 553] Both Republicans in Congress and the President claimed victory with the compromise. The Republicans pointed to the seven year balanced budget, while the President claimed he had ensured the protection of several important programs. [Ref. 67, p. 3597]

The third CR also provided back pay to those federal workers furloughed during the six day funding gap. On a larger scale, the third CR gave Congress and the President additional time to resolve their differences on the remaining appropriations bills. For defense, it allowed Congress to again turn its attention to the FY96 defense appropriations bill debate. [Ref. 66, p. 553] Figure 5 provides a timeline for defense legislation in FY96.



**Figure 6. Funding Legislation for Defense, FY96.** From Refs. 63, 65, 66, and 77.

## **B. CONCLUSION OF THE FY96 DEFENSE APPROPRIATIONS BILL**

After clearing Congress on 16 November 1995, the FY96 defense appropriations bill's future looked dim. Democrats within Congress predicted a quick presidential veto on the measure and the Republicans did not have the requisite number of votes to override the veto. President Clinton indicated earlier in the year that he opposed the bill, and his advisors maintained their recommendation for his veto on the legislation. The President cited the addition of several unrequested weapons programs, conditions on his use of U.S. troops as peacekeepers, and restrictions on abortions performed at U. S. hospitals overseas as the basis for his opposition. [Ref. 68, p. 3672]

Other factors, however, forced the President to accept the FY96 defense appropriations bill. President Clinton's commitment to send 20,000 U. S. troops to Bosnia in support of the Balkan peace agreement signed on 21 November 1995 helped

him overcome his reluctance to sign the defense measure. The political realities of a Republican controlled Congress meant that funding for the Bosnian contingency operation would not be forthcoming unless the President signed the bill.

Several Republicans in Congress expressed their frustration at the White House because of its veto threat. Congressman Robert Livingston commented that "[While] preparing to send 20,000 troops to Bosnia, to seriously consider vetoing the defense budget, it boggles my mind." [Ref. 68, p. 3672] After several days of negotiations, the senior members of the House and Senate Appropriations Committees and White House Chief of Staff, Leon Pannetta, came to a tacit understanding that the FY96 defense appropriations bill would become law if Congress did not try to deny the use of defense funds for the Bosnian operation. [Ref. 68, p. 3672]

While the President did not actually sign the FY96 defense appropriations bill, he did not veto the measure, and it became law without his signature on 1 December 1995. The President suggested, however, that he would seek to rescind money from various programs within the defense bill in February or March to fund U. S. operations in Bosnia. Table 14 details the final agreement on FY96 defense appropriations. [Ref. 68 p. 3672]

**Table 14. Comparison of the President's FY96 Defense Request to the Final FY96 Defense Appropriations Bill (Millions of Dollars). From Ref. 69.**

|                       | Pres.<br>Request<br>BA | Pres.<br>Request<br>O | Final<br>Approp.<br>BA | Final<br>Approp.<br>O | Approp.<br>vs.<br>Request<br>BA | Approp.<br>vs.<br>Request<br>O |
|-----------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------------------|--------------------------------|
| <b>Mil. Personnel</b> | \$68,697               | \$66,283              | \$69,191               | \$66,752              | +\$494                          | +\$468                         |
| <b>O&amp;M</b>        | \$91,932               | \$92,103              | \$92,503               | \$92,755              | +\$571                          | +\$652                         |
| <b>Procurement</b>    | \$34,409               | \$34,476              | \$43,918               | \$48,694              | +\$4,509                        | +\$64                          |
| <b>RDT&amp;E</b>      | \$34,332               | \$34,476              | \$35,625               | \$35,126              | +\$1,293                        | +\$650                         |
| <b>Other</b>          | \$2,003                | \$1,671               | \$2,015                | \$1,719               | +\$11                           | +\$49                          |
| <b>Total</b>          | \$236,372              | \$243,163             | \$243,251              | \$245,045             | +\$6,879                        | +\$1,883                       |

### **C. CONCLUSION OF THE FY96 DEFENSE AUTHORIZATION BILL DEBATE**

While Congress and the President were able to reach an agreement on the FY96 defense appropriations bill relatively quickly following the government shutdown, the two sides still had a difficult road ahead in their search for compromise on the FY96 defense authorization bill. Over two additional months of negotiations would be needed before the President signed the measure. This section resumes the examination of the evolution of the FY96 defense authorization bill which it left in chapter 5.

#### **1. Conference Debate**

House and Senate negotiators finally hammered out an agreement on the FY96 defense authorization bill during the second week of December 1995. Most notably, the

conference report retained the controversial provision for the accelerated deployment of a nationwide anti-missile defense system. The compromise also provided the authorization needed to begin procurement of several weapons systems already funded by the FY96 defense appropriations bill. [Ref. 70, p. 3819]

At the urging of Senate Majority Leader and 1996 presidential hopeful, Senator Bob Dole, GOP-led conferees insisted upon the inclusion of the anti-missile defense system language. [Ref. 70, p. 3819] The early deployment of an anti-missile defense system and the elimination of the ABM Treaty were top priorities for GOP defense hawks in Congress. The Administration, however, opposed the provision on the grounds that it jeopardized the Russian parliament's ratification of the START II Treaty because of the provision's possible violation of the ABM Treaty. Republican conferees maintained that while the provision called for the system's deployment by 2003, it did not violate the Treaty because it did not specify the system's deployment at more than one site. [Ref. 71, p. 3898]

The conferees added \$7.1 billion to the President's FY96 request. Most of the additional funds, \$5.2 billion, went for procurement. Combined with the additional \$1.4 billion provided for RDT&E, weapons programs received over 90 percent of the additional committee funds. [Ref. 71, p. 3897]

Overall, the defense spending authorized by the conference report closely resembled the funding levels provided by the FY96 defense appropriations bill passed earlier in the month. House and Senate negotiators worked out an interesting compromise on the controversial B-2. While the conference report retained the \$493 million funding

level used in the FY96 defense appropriations bill, it remained deliberately ambiguous on exactly how the Pentagon was required to spend the money. It did not require the Pentagon to buy additional planes, but allowed the DoD to use the funds for "procurement of B-2 components, upgrades and modifications that would be of value for the existing fleet of B-2 bombers." [Ref. 70, p. 3819]

Like its counterpart defense appropriations legislation, the defense authorization bill partially funded the third *Seawolf*-class submarine and the components to be used in the first of a new class of smaller, cheaper attack submarines. It authorized two types of Marine assault ships and additional F-15, F-16, and F/A-18 aircraft. On non-defense programs, the bill tracked closely with the defense appropriations bill and approved \$300 million for the Nunn-Lugar program and \$195 million for the TRP. It made small cuts in both environmental clean-up programs and peacekeeping operation funding. [Ref. 71, pp. 3898-3900]

The defense authorization bill contained the annual cost of living pay increase for the military. The Republicans used this provision to criticize the President because his veto would deprive service members of their full 2.4 percent pay raise. The defense authorization bill also contained a 5.2 percent increase in the military housing allowance and a provision to adjust the military's lagging annual cost of living adjustment back in line with their civilian counterparts. [Ref. 71, p. 3897]

House and Senate negotiators retained the controversial provision to bar female military personnel or dependents from obtaining abortions at U. S. military hospitals overseas. It also included the provision to discharge service members who tested positive



for the AIDS virus within six months. These two provisions, in conjunction with the anti-missile defense language, received the harshest criticism from the Clinton Administration. [Ref. 71, p. 3897]

The House adopted the conference report, 267-149, on 15 December 1995. Four days later, the Senate followed suit on a closer 51-43 vote. The measure then went before the President for his approval. However, because the FY96 defense appropriations bill had already been signed into law, Congress now held much less leverage over the President. [Ref. 71, p. 3897]

## **2. Presidential Veto**

As expected, the President upheld his threat and vetoed the FY96 defense authorization bill on 28 December 1995. In a letter to the House, President Clinton detailed the motivation behind his veto. The President cited both social and political grounds for his rejection of the bill. [Ref. 72, p. 26]

In the letter, the President maintained that the bill "unacceptably restricts my ability to carry out national security objectives" and hinders "my implementation of key national security defense programs." [Ref. 73, p. 1] He charged that the anti-missile defense system was costly, needlessly provocative towards Russia, and unjustified in the light of the current threat. Additionally, he criticized the restrictions placed on funding for contingency operations and the requirement for additional presidential guarantees when U.S. forces are placed under operational control of the United Nations. [Ref. 73, p. 1]

In the letter, the President reaffirmed his opposition to both the abortion and AIDS

discharge provisions in the bill. The President also mentioned the certification requirement placed on Nunn-Lugar funds and the slowdown in DoD environmental clean-up efforts as contributing to his decision to veto the bill. Responding to GOP rhetoric, President Clinton pledged his full support for the 2.4 percent pay raise. The President wrote that although he was vetoing the legislation, he would order a 2 percent pay raise, the maximum allowed by Congress. As soon as Congress sent him an acceptable defense authorization bill, he promised to approve the remaining 0.4 percent. Officially vetoed, the President sent the bill back to Congress. [Ref. 73, p. 1]

### **3. Congressional Veto Override Attempt**

On 3 January 1996, the House attempted to override the President's veto. While a majority of the House did vote for the measure, it fell short of the required two-thirds majority, 240-156. Even if the House had mustered enough votes to override the President, it remained doubtful that the Senate would be able to do the same. [Ref. 74, p. 61]

In response to the President's veto, the Senate passed separate legislation authorizing the full 2.4 percent military pay raise on a voice vote. The House, however, killed its version of the bill. GOP leaders in the House felt that separating this broadly supported provision would jeopardize the eventual passage of the defense authorization bill. After its failed override attempt, the House sent the bill back to conference. House and Senate negotiators tried to assess how many controversial programs they needed to strip out of the bill before they could gain presidential approval. [Ref. 74, p. 61]

#### **4. Defense Authorization Conference Part II**

House and Senate negotiators passed a revised version of the FY96 defense authorization bill on 19 January 1996. The bill, now dubbed S 1124, eliminated several controversial provisions contained within the original bill and modified others. Interestingly, the only changes made to the measure were policy related, as Congress held firm on its weapons programs funding. [Ref. 75, p. 154]

The conference report completely eliminated the anti-missile defense system provision. GOP members, however, vowed to make the anti-missile defense system an issue in the upcoming presidential election. The negotiators also eliminated the requirement for the President to submit various reports to Congress when he placed U. S. forces under U. N. command. Supporters of this requirement maintained that the removal of this provision symbolized a general willingness to subordinate U. S. interests to those of the U. N. [Ref. 7, p. 154]

The new bill modified the provision that the President submit a supplemental appropriations request to Congress for any contingency operation over \$100 million from a requirement to a non-binding Sense of Congress. President Clinton complained that this hindered his ability to act as the Commander-in-Chief. Both the provision discharging AIDS-infected service members and the bar on women obtaining abortions overseas remained unchanged in the bill. Although not completely satisfied with the bill, Secretary of Defense, William Perry, "thought he could recommend to the President that he sign the bill." [Ref. 75, p. 154]

The House passed the revised defense authorization bill on 24 January 1995 on a

287-129 vote. The Senate did likewise two days later, 56-34. At this juncture, expectations for the President's signature were high. [Ref. 76, p. 225]

## **5. Presidential Signature**

The President ended the FY96 defense authorization bill debate on 10 February 1996 when he signed the legislation into law. His signature ended the defense authorization process begun almost a year earlier. The President, however, was still not satisfied with the outcome and attempted to revise elements within the bill. He launched a multi-front effort to eliminate the requirement to discharge AIDS-infected service members. Calling the provision "abhorrent and offensive," the President ordered the Justice Department not to defend the provision if it was challenged in court. Additionally, he endorsed legislation to repeal the provision. Still, his signature provided closure to the debate on funding for defense for FY96. [Ref. 77, p. 362]

## **VII. CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER STUDY**

The final chapter of this thesis concludes the examination of defense spending for FY96. It attempts to explain the significance of the FY96 defense debate. The chapter is divided into four parts. The first section briefly revisits the key issues which arose during the formulation of the defense budget. It comments on the unique events which distinguished the defense debate for FY96. The second section of the chapter summarizes the results of the FY96 defense budget debate. It examines the impact of the so-called Republican Revolution on defense for FY96.

The third section of the chapter takes a step back and analyzes the larger, long term defense readiness issues. Using the Readiness Triad model introduced at the beginning of the thesis, it explores alternative options to address the issue of sustainable military readiness. The final section of the thesis suggests areas for further research. It provides avenues for additional study on military readiness and spending issues.

### **A. FY96 DEFENSE HIGHLIGHTS**

The November 1994 election of the first Republican controlled Congress in 40 years dramatically altered the legislative status quo. The Republican goal of a balanced federal budget in seven years and a middle-class tax cut, in conjunction with a desire to end the decade long decline in defense spending, combined to produce a tumultuous environment for defense in FY96. Before the newly-elected Republican Congress had the opportunity to act on defense, President Clinton anticipated the Republican defense plus-

up and proposed his own \$25 billion increase to the FYDP. Republican defense hawks, however, considered this addition woefully inadequate.

The House Republican's *Contract with America* promised to halt the decline in the size of the annual defense budget. Because it was never seriously pursued in the Senate, the Contract served only as a symbol for the Republican agenda. The Contract's defense provision did, however, contrast sharply with the President's defense budget request introduced during the same period, a budget which continued the annual decline in the size of the defense budget.

Ideological differences threatened to divide the Republicans during the formulation of the FY96 Budget Resolution. Defense hawks squared off with deficit hawks over Republican priorities. The Senate's proposal to spend \$10 billion *less* than the President during the next six years in the name of deficit reduction contrasted sharply with the House's plan which sought an additional \$70.4 billion for defense during the same period. In the end, the two sides enacted a compromise which split the difference between the two, budgeting \$24.8 billion above the President's request over six years, including an additional \$7.1 billion for FY96. [Ref. 38, p. 63]

The FY96 defense authorization bill provoked heated debate in Congress and the White House. Social and policy issues contained in the measure proved especially divisive. The FY96 defense authorization debate also distinguished itself for its duration (8+ months). Because its passage lagged behind the FY96 defense appropriations bill by several months, questions concerning the relevancy of the defense authorization process arose. In the end, the final version of the bill scrapped the requirement for TMD and

restrictions on the President's use of troops in Bosnia, compromised on abortion language, and maintained the HIV-discharge provision.

As expected, the majority of the debate on the FY96 defense appropriations bill focused on the type and cost of several defense programs. New RDT&E projects and additional procurement programs added by the Republican Congress provoked charges from defense critics that the Republicans were still fighting the Cold War. The B-2 bomber and *Seawolf*-class submarine, as well as a litany of other procurement programs, competed in the House and Senate for the additional defense dollars. In the end, compromises which allowed at least the partial purchase of most of these controversial systems passed Congress.

Again, social policy issues inserted into the FY96 defense appropriations bill dominated much of the debate and threatened to derail the legislative process. Although the overseas abortion issue affected only a small number of female service members and dependents, it contributed to the bill's failure in the House and added several months to the bill's legislative process. While the spending programs contained in the measure consumed a majority of the floor time in their debate, it was the social issues which seemed to determine the bill's failure or success.

Debate on the DoD's funding of contingency operations also consumed a large amount of time on the defense committee floors. A DoD request for supplemental appropriations to finance unbudgeted contingency operations generated a great deal of criticism in Congress. In the end, Congress mandated for the first time that the DoD budget for some known contingency operations (beginning in FY97).

Eventually, the Republicans pressured the President to allow the measure to become law by tying the purse strings for the planned peacekeeping operation in Bosnia to the passage of the FY96 defense appropriations bill. The President's desire to uphold his recent promise to support the peace initiative in Bosnia overshadowed his objections to the measure. The bill became law without his signature. Outside factors, therefore, strongly influenced the FY96 defense appropriations debate.

The length and divisiveness of the FY96 defense debate, combined with the ambitious, but inexperienced Republican Congress and defense committees, delayed the completion of defense bills well into the new fiscal year. Because of this, defense experienced funding under three separate continuing resolutions and a lack of funding during a six day funding gap. Although neither continuing resolutions nor funding gaps were a new phenomenon, the number of continuing resolutions and duration of the funding gap distinguished the FY96 legislative process. Although the length, scope, and intensity of the defense debate all characterized the FY96 process as unique, the most telling aspect of the defense debate was the final spending figures approved for FY96.

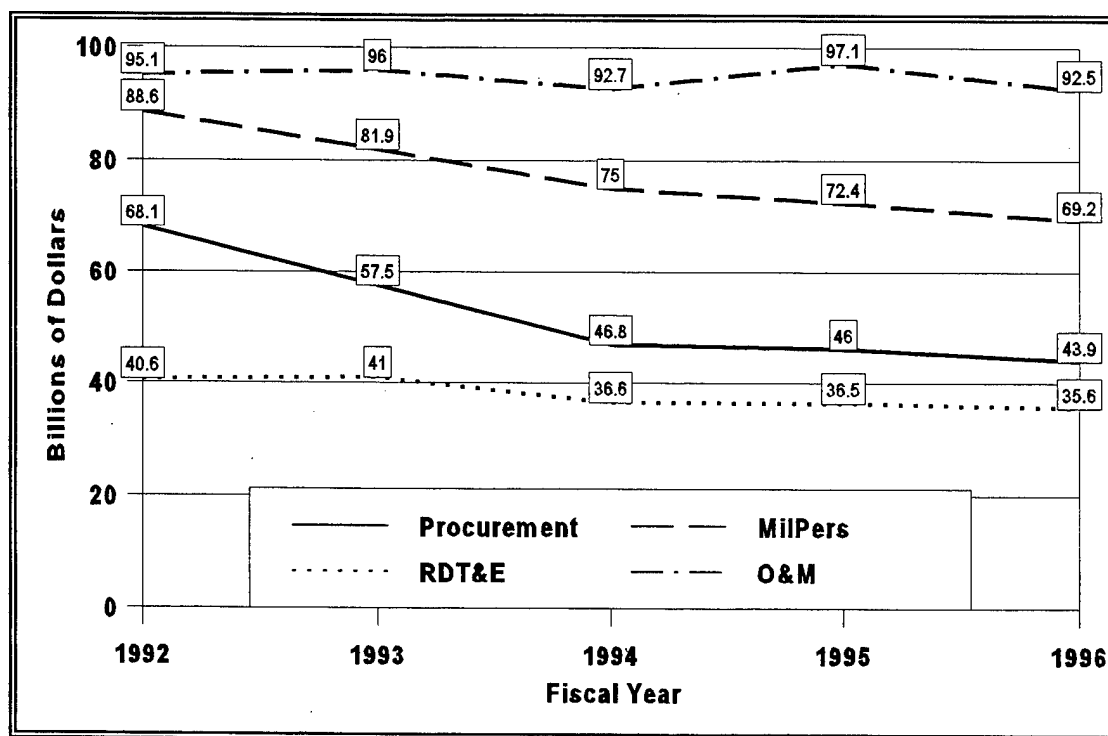
#### **B. SUMMARY OF FY96 DEFENSE SPENDING - PUTTING IT IN PERSPECTIVE**

The FY96 defense appropriations bill authorized \$243.2 billion in BA and \$245.0 billion in outlays (function 051). These amounts were \$6.9 billion and \$1.9 billion respectively, above the President's request. Still, these figures represent a 1.4 percent and 4.9 percent real decline in defense spending respectively compared to the previous fiscal

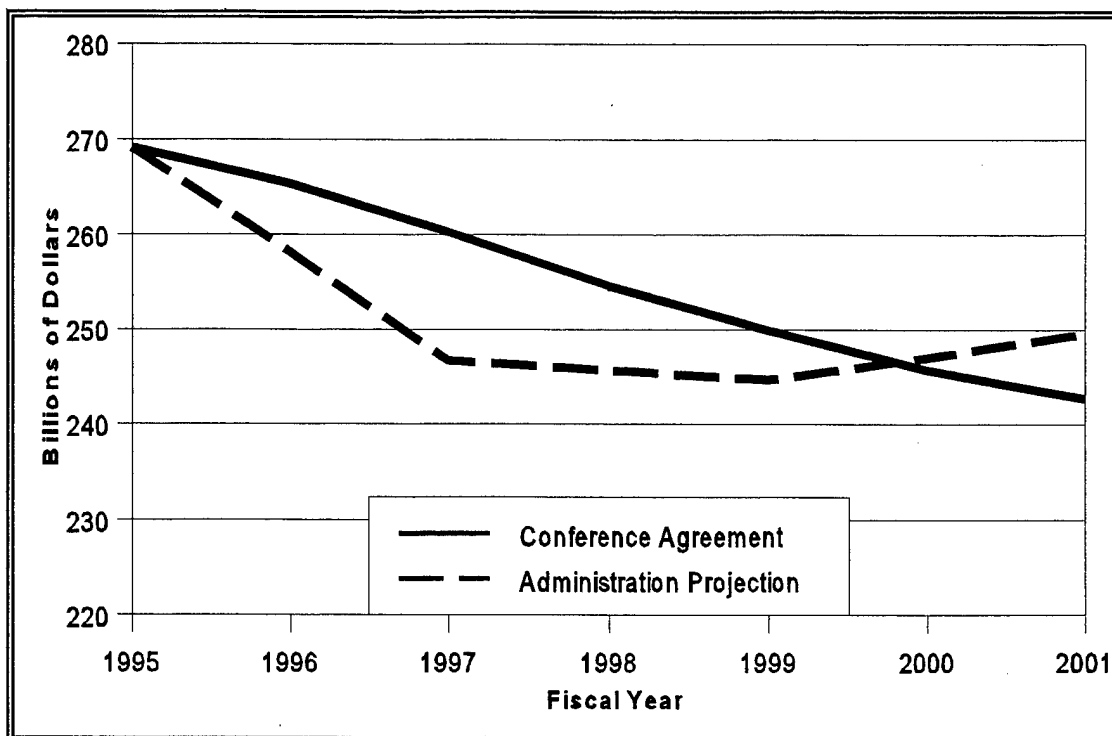


year. [Ref. 19, p. 11]

Most of the additional dollars provided by Congress went to fund procurement (\$4.5 billion) and RDT&E (\$1.3 billion). While the Republican defense budget provided a considerable plus-up to these accounts, the money did not actually reverse the general downward trend. At best, the additional monies stabilized the account funding close to the previous years' level. Figure 6 compares FY96 defense spending to the recent defense spending trends. Figure 7 illustrates the differences in proposed defense spending between the Republican-generated budget resolution and President Clinton's defense plan.



**Figure 7. Trends in Defense Budget Functions FY1992-1996 (FY96 Dollars).**  
From Refs. 5 and 69.



**Figure 8. Administration vs. Congressional Future Defense Budget Projections (Function 050, FY96 Dollars).** From Ref. 19.

While the Republicans did address some of the O&M deficiencies identified in the previous years' defense budget, their most significant contribution to the long term readiness of the armed forces was their additions to the investment accounts. The Republicans attempted to readjust the balance between the short term operational readiness and longer term structural readiness with their procurement and RDT&E account plus-up. On other defense spending issues the Republicans were less successful. While the Republican Congress did trim some of the non-defense program funds from the defense budget, they did not reap the significant savings which they had hoped for in this area.

Although there is no question that the Republicans provided defense a significant plus-up in FY96, the long term implications of the Republican Revolution for defense are unclear. The monies added to the defense budget by the Republicans seem more like a temporary solution to the military readiness dilemma than a true reassessment and redirection of American defense priorities. Providing sustainable and affordable military readiness in the long term requires a reassessment of America's defense needs and resources.

### **C. MILITARY READINESS OPTIONS**

The objective of the military in times of conflict is to fight and win the Nation's wars. In peacetime, it is to prepare itself to accomplish that mission. The concept of military readiness inherent in that preparedness dominates the debate on defense spending.

Currently, many military experts in Congress, the DoD, and civilian community contend that the military must adopt a new approach in order to afford a capable, sustainable, and ready force. Many believe that the DoD cannot provide its current force structure both proper training and modern equipment in the long term. [Ref. 78, p. 1] They contend that the current defense budget of approximately \$245 billion (function 051) does not provide for adequate modernization and recapitalization of the force. In an October 1995 letter to the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, General Shalikashvili, and the other service secretaries stated that armed forces needed a minimum of \$65 billion per year for procurement. FY96 procurement fell short of that goal by \$20 billion dollars and is not likely to achieve that level of spending at any time

under the current FYDP. [Ref. 79, p. 1]

If there were no constraints on the amount of financial resources available, the solution would be simple; increase the annual DoD budget to \$265-\$270 billion. However, the current fiscally restricted environment makes this proposition highly unlikely. The plan to balance the federal budget, in conjunction with the continued growth of mandatory spending, combine to place tight constraints on the size of future defense budgets.

Using the assumption that military budgets will remain at or below current funding levels, and that this amount is too small to adequately maintain both operational and structural readiness in the long term, changes to the current DoD assumptions must be made. The following section examines options for obtaining sustainable readiness in light of current financial constraints. It uses the Readiness Triad introduced in the beginning of the thesis as the readiness model to address possible alternatives.

### **1. The Modernization Leg**

The modernization leg of the Readiness Triad is the element currently being sacrificed to support short term, operational readiness. By underfunding the procurement and RDT&E accounts, funds can be diverted to pay for the O&M and MilPers accounts. In other words, by failing to adequately fund the modernization leg of the Readiness Triad, the force structure and operational ability legs of the Triad have been maintained.

However, the strategy of underfunding the modernization leg of the Triad to achieve short term readiness cannot continue indefinitely. The military equipment which

the modernization funds purchase will eventually wear out or become technically obsolete. To properly support the armed forces' divisions, wings, and ships in the long term requires reform in the military's funding priorities.

## **2. The Force Structure Leg**

Reducing the size of the military's force structure provides one possible solution to the military readiness dilemma. By FY96, the drawdown enacted in response to the Bottom-Up Review's recommendations reduced the size of the military from over two million to its present size of approximately 1.5 million men and women. Obviously, further reduction in this area is possible. However, significant further force structure reduction requires a reassessment of the missions that the force structure is designed to support.

The military requirements contained in the National Security Strategy and National Military Strategy provide the foundation for the size and composition of the current force structure. The ability to fight and win two nearly simultaneous major regional conflicts requires the bulk of the force structure. Further reduction in the force structure requires a revision of this mission. Several military and civilian think tanks have proposed that the military adopt a less demanding version of their current two MRC mission, namely the one MRC scenario plus a deterrence mission. This last proposal is the so-called "win, hold, win" alternative. Other ideas include a one MRC mission plus deterrence with the added capability to provide large amounts of humanitarian assistance or disaster relief. [Ref. 80, p. 20]

Reduction in the size of the force structure begets savings in other legs of the Readiness Triad. Reduced force structure requires less operational ability support (e.g. training ammo, aviation fuel, etc.) and has fewer modernization requirements. However, given the size of the recent defense drawdown, this option could prove politically untenable. Again, a reassessment of America's security needs, which retreats from a two MRC requirement, allows for reductions in force structure which, in turn, increases the long term affordability of military readiness.

### **3. The Operational Ability Leg**

Maintaining the day-to-day operational readiness of the military is the Clinton Administration's number one defense priority. [Ref. 24, p. 20] During the period 1990-1995, operational readiness was maintained at a high level, with 80 percent of military units meeting their readiness goals. [Ref. 81, p. 1] However, recent personnel shortages and contingency operations have created "pockets of unreadiness" in the armed forces. [Ref. 82, p. i] Some fear these "pockets" could grow and lead to "hollowness" reappearing in the American military.

The "hollow" American military forces of the 1970's were operationally underfunded. This lack of funding manifested itself in the form of reduced training, poor equipment maintenance, and overall lack of preparedness for war. Maintaining the current armed forces's operational readiness at a uniformly high level, however, is extremely expensive.

In an effort to create a sustainable long term readiness plan, military and civilian

experts are examining the operational ability leg of the Readiness Triad. Although most agree that high levels of operational readiness are required for short term readiness, some believe that it is not necessary to maintain all the forces at the same level of readiness. One idea currently being pursued is the concept of tiered readiness.

Under tiered readiness, elements of the military with a strong likelihood of being needed on short term notice (e.g., the Marines, the Army's 18th Airborne Corps, etc.) would be fully funded operationally (i.e., their O&M accounts). Units not likely to be need in the first few weeks of a crisis (e.g., some of the Army's heavy divisions) would be maintained at a reduced level of operational readiness. Varying the levels of desired readiness for military units on a small scale is not new. However, purposefully allowing large segments of the force to maintain a relatively lax readiness posture is a new idea that may produce significant savings. Although this proposition is being pursued by some members of the Senate, lingering memories of the "hollow" military years of two decades ago makes this option very unpopular with others in Congress and the DoD. [Ref. 83, p. 19]

#### **4. Other Options**

Because a re-examination of the balance among the three legs of the Readiness Triad is likely to produce controversial results, some members of Congress and the military are hoping to achieve significant savings for defense in other areas. Privatization of some of the DoD's maintenance functions promises to achieve significant long term savings. Although allowing civilian contractors to perform services formerly done by the

military could yield significant savings, the anticipated amount of these savings may not be enough to avoid this.

Two other proposals currently being advanced to help address the fiscal dilemma of the DoD are acquisition reform and technology efficiency. By reforming the cumbersome methods by which the DoD buys its equipment and developing ways of harnessing the massive growth in technology to benefit the DoD, some feel that the showdown on defense spending can be avoided. However, past efforts to achieve significant savings in these areas have proved quixotic. Nonetheless, a combination of the above solutions could prove substantial enough to solve the defense funding dilemma. It remains to be seen whether Congress tackles the issue directly by addressing the problem of sustaining funding for the Readiness Triad or whether it maintains its current course of postponing the debate by attacking the periphery of the problem. Richard Betts aptly summarizes the current defense dilemma. [Ref. 13, p. 23]

Efficient coordination of proper changes in readiness with recognition of the specific times at which they are needed is terribly difficult. Peacetime choices, whichever way they tilt, pose risks. Lives and dollars ride on the decisions, but in different directions. Getting the answer wrong exacts a price in one currency or the other: either in blood in wartime or in treasure in peacetime.

#### **D. RECOMMENDATIONS FOR FURTHER STUDY**

Several options exist for further study in the areas discussed in this thesis. An examination of the formulation of the defense budgets in FY97 and beyond provides an obvious follow-up study. Analysis of the trends in defense spending during the current



environment of federal spending reform would build on some of the material provided in this thesis. Other possible avenues for further study include the continuing evolution of funding for military contingency operations and the ongoing debate over non-defense programs in the defense budget.

Possibly the most significant avenue for further research, however, deals with the issue of military readiness. Underfunding the military's procurement accounts only postpones the debate on sustainable military readiness. Eventually, a reassessment of America's defense needs and the amount of resources it is willing to devote to that need must take place. A thesis which examined the solution to that debate would be an excellent legacy to this thesis.



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